# FINAL EVALUATION

# ATLANTIC CANADA AGREEMENT ON TOURISM

Prepared for:
**The Evaluation and Research Committee**
**Atlantic Canada Tourism Partnership**

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*35081*

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# Executive Summary

## Background

This report is an evaluation of the Atlantic Canada Agreement on Tourism (ACAT). The ACAT was delivered by the Atlantic Canada Tourism Partnership (ACTP), consisting of the four Atlantic tourism industry associations, the governments of the four Atlantic Provinces, and the Government of Canada represented by the Atlantic Canada Opportunities Agency through Tourism Atlantic. The partners signed the Agreement in July 1997. The $18 million ACAT (ACOA 50%, provinces 30%, industry 20%) expires on 31 March, 2000. The evaluation was carried out by The ARA Consulting Group (a division of KPMG Consulting LP), and Collins Management Consulting & Research Ltd.

The ACAT focused on three areas: destination marketing in international markets, product marketing to the touring trade, and product development that would increase market readiness and thereby allow the industry to increase its competitiveness. The Agreement had varying target markets. In Year 1 the focus was on the US Mid-Atlantic States, Europe, and Japan. In Year 2 the targets were seven US cities (Atlanta, Boston, Chicago, Detroit, New York, Philadelphia, and Washington), along with Europe and Japan as in Year 1. Year 3 saw a different US focus (New England, Mid-Atlantic States, Atlanta, and Chicago), with continued activity in Europe and Japan.

The Agreement evolved in terms of its implementation approach and its content over the three-year period. Some provinces moved quickly to design and put forward projects for approval, whereas others moved more slowly. There were concerns about how to design projects dealing with product development – concerns that ultimately led to product development projects being downplayed significantly within the Agreement.

Implementing an Atlantic Canadian branding approach to marketing the region was a problem – for reasons of access and characterization of the tourism product. Newfoundland and Labrador, for example, had difficulty with the implication that a visitor to Atlantic Canada could easily visit Newfoundland once the visitor had reached the Maritimes. With respect to characterization of the product, there was concern with a potential loss of provincial identity through the inappropriate use of provincial symbols in a regional context.

A visioning session was held in the Spring of 1998 to confirm the partners' shared vision and to increase efficiencies of delivery. While the session was a positive reminder of the benefits of joint planning and action, during its final year the Agreement undertook a fundamental shift away from its original strategy and moved towards one focused on individual provincial campaigns rather than joint initiatives marketing the region.

Some provincial representatives indicated they had insufficient time and support to oversee the ACAT projects for which they were responsible. An ACAT Secretariat provided administrative assistance (secretarial support, financial reporting, co-ordination, monitoring, scheduling), but its mandate did not include project management or implementation. On the other hand, Tourism Atlantic assisted by providing implementation services and support over part of the period.

There were 52 projects carried out under the Agreement:

- 21 marketing initiatives in short-haul US markets – 68% of expenditures;
- seven projects in Europe and Japan – 15% of expenditures;
- three product development projects – 4% of expenditures;
- 16 research initiatives – 4% of expenditures; and
- five administration projects – 9% of expenditures.

Over the three-year duration of the Agreement the tourism industry enjoyed substantial growth – on a worldwide basis, in Canada, and in Atlantic Canada. Worldwide arrivals increased by 9.7% from 1996 to 1999. Of the three largest tourism destinations in the Americas, Canada showed the most consistent growth over the period. US arrivals have been almost flat since 1996, and Mexican activity was down slightly. Canada, by contrast, showed a 1996/1999 increase of 13.3%. From 1996 to 1999, non-resident visitation to all four Atlantic Canadian provinces increased by 41.5%, a remarkable performance when compared to the growth rate for Canadian arrivals over the same period.

The evaluation included consideration of three major issues:

- **Relevance** – relating to Agreement benefits and the incremental nature of the Agreement;
- **Achievements** – in terms of industry growth, market readiness, lessons learned from projects in long-haul markets, and promotion of non-peak travel; and
- **Cost effectiveness** – the manner in which the ACAT was carried out in terms of co-ordination with the CTC, the strategic nature of Agreement initiatives, the roles of various Agreement partners, governance and management issues, and achievement of economies of scale.

## Relevance of the Agreement

**Benefits:** The role of the Agreement was a tourism market development program on an Atlantic Canadian scale. Respondent comments included: "Levered dollars for market development," "A funding source for federal money," "Allows access to markets otherwise inaccessible," and "Creates economies of scale," among others.

While none of the Provinces individually were of sufficient size to "make a lot of noise" in target market areas – particularly distant areas like Europe or Japan – there is a greater chance of being heard when they are marketed as a group with federal financial assistance. The Agreement also resulted in increased communication and co-operation between provinces and between public sector and private sector industry representatives.

Virtually all ACAT partners reported distinct benefits accruing to their organizations: "Produced increased visitation and revenue," "Permitted the four provinces to reach new markets they would otherwise not have been able to reach individually," "Used CTC and ACAT research to fine-tune our provincial approach to certain markets," "Tried new approaches like Atlantic Canada Showcase which made it affordable to individual operators," and "Improved collaboration and promoted learning amongst provinces" among others.

While all partners saw benefits, some respondents expressed disappointment that the ACAT had been unable to maintain a consistent product, brand, and image for three full years. They pointed to the futility of expecting good results when "there were different approaches and different programs in

each of the three years, with changes to the message, the target, and the banner each year." As well, some partners felt that the benefits from the ACAT diverted focus from core provincial strategies, where a specific initiative may not have been central to a given province's core strategy, but provincial resources nevertheless had to be directed to the initiative.

The use of a joint Atlantic Canada brand was found to be problematic, in that it was felt by some to be counter-productive in some markets, and that if used improperly led to confusion in the marketplace. The partners agreed that use of such a brand only made sense in long-haul markets.

**Incrementality:** The Agreement has clearly funded incremental activities. Comments included: "Significantly enhanced our programs -- we couldn't access the markets the Agreement operates in without Agreement funding," "We wouldn't be in Europe, Japan, and some US cities without it," "It fitted with our strategic focus," "It enhanced what we wanted to do – the additional marketing muscle gave us much greater exposure," and "No question, it assisted with incremental activity in the European market – we were trying to ramp up our exposure in the UK by ourselves, but couldn't do it because of the high cost," among others.

There were many projects that would not have gone ahead or that would have been scaled down in the absence of the Agreement, including Rendez-Vous Canada and the Atlantic Canada Showcase, virtually all of the European and Japanese campaigns for some players, the International Travel Survey project, Market Place trade shows, weekend ferry promotions in Boston, and much of the co-operative advertising in the New England Market.

## Achievements of the Agreement

Agreement results were explored in four areas:

- Impact on the growth of the industry;
- Impact on the market readiness of the industry;
- Lessons learned and results achieved from this and previous Agreements; and
- Efforts to promote non-peak travel.

The methodologies used to address these issues included a combination of interviews, report and document reviews, and 15 case studies. The available information upon which to base conclusions, however, fell short of expectations:

- Projects were sometimes indistinct initiatives begun under a prior Agreement;
- Campaign reports were not prepared, although overall campaign results were estimated;
- Reports were not available for all projects;
- Project reports, when they existed, were often difficult to locate;
- There was a discrepancy between budgets on approval forms and in financial reports; and
- In several cases the approval document did not describe the project as completed.

**Impact on Industry Growth:** There were no distinct causal linkages between ACAT project funding and industry growth. Nevertheless, visitations to the Atlantic Canadian provinces over the period of the Agreement increased by 41.5% – significantly higher than the growth rate of 13.3% for Canadian arrivals over the period. And visitation from the Agreement's prime market, the United States, increased by 32.0%, almost double the 17.7% increase for US visitors to the rest of Canada.

**Impact on Market Readiness:** Measuring the impact is problematic, as there are no direct measures of market readiness. There was a great diversity in opinion on the effectiveness of the ACAT in this regard, with some respondents suggesting that too little was done with major in-market packagers, and others suggesting that the larger businesses are "up to speed", but more assistance is needed for smaller companies. Our conclusion is that the ACAT has made a positive impact on the overall market-readiness of the tour operator component of the tourism industry in Atlantic Canada. There seems to be little overall enthusiasm for the ACAT's effect on market readiness on the industry in general, but there are solid examples of its leadership role in trade shows.

**Lessons Learned from This and Previous Agreements:** The issue reflects an expectation that each agreement in turn moves the tourism sector farther along the development path. It assumes that, at each stage of the process, evidence and experience from past activities will be incorporated in the new development approach. Ongoing changes in staff and officials involved in the Agreements, however, diminish the opportunity for learning and sharing lessons learned. Although there was no strong sense amongst interviewees that the ACAT profited from lessons learned from previous agreements, interview results suggested that the long-haul international marketing campaigns in this Agreement helped government and industry better understand the nature of selling Atlantic Canada abroad.

**Promotion of Non-Peak Travel:** There were limited regional efforts in this area because each province has different needs, perspectives and definitions of seasonal markets. To the extent that there have been initiatives in this area, there is little sense that the ACAT has played a strong role or that the results are measurable. The main problem is attributing the growth to the efforts of the ACAT. There were no projects explicitly focusing on non-peak travel, although interviewees reported it was an intrinsic part in the US Campaign.

## Cost-Effectiveness of the Agreement

Cost-effectiveness was related to how the Agreement was carried out in terms of:

- Co-ordination with the Canadian Tourism Commission;
- The strategic nature of Agreement investments;
- The effectiveness of the roles of the ACTP partners;
- The effectiveness of the Agreement's governance, management and committee structure; and
- Economies of scale.

**Canadian Tourism Commission:** The CTC was an *ex officio* member of the Agreement's Management Committee. Relatively constant turnover of CTC representatives, however, led to inconsistent attendance, and respondents characterized the relationship as "not strong but getting better". The CTC appears to favour a regional rather than a provincial approach to tourism development, but Atlantic Canadian provincial representatives prefer direct CTC-provincial linkages. The relationship between the ACTP and the CTC has been "up and down" over the past few years; the CTC reports that the level of interest and commitment has varied by province

**Strategic Nature of Agreement Investments:** In terms of identifying market trends and opportunities, respondents reported that they tended to be based on either provincial research or on personal opinion and observation. It appeared that many in functional committees did not place a high value on research. In general, research appeared to be used in planning and evaluation – conversion studies, advertisement tests, focus groups, and work to determine the "best" media buys. Barriers to using

research included communication issues between the functional committees and the Agreement's research body, a perception that a given research initiative could take too long for it to be of much use in planning, and a lack of research capabilities directly linked to the functional committees.

**Effectiveness of the Roles of ACTP Partners:** Each partner was individually responsible for ensuring that the ACTP program and related initiatives reflected the tourism industry development needs and priorities of their respective jurisdictions. The roles clearly reflected this principle and were appropriate within the context of the Agreement. The Partners shared joint responsibility for establishing the strategic direction of the Agreement; they were fully and equally represented at each level of the decision-making structure; and a consensus decision-making model was employed under which the consent of all Partners was a prerequisite for approval.

In practice the roles evolved: the provincial governments were key decision-makers with respect to strategy and project approval in principle; the industry associations saw themselves more as advisors than decision-makers; and the federal government was the key funding agent which carried out due-diligence checking on expenditures, and by extension, was seen as the final authority with respect to funding for individual initiatives.

A Secretariat was established to provide administrative support to the Committees and to co-ordinate ACTP meeting schedules, take and distribute minutes, and provide limited follow-up services. In terms of the manner in which the secretariat functioned during the Agreement, respondents' opinions ranged from "it was a disaster" to "it functioned very well". The majority of those offering an opinion felt the performance was acceptable; there were few who sounded the secretariat's praises. Most respondents felt it should have the resources to provide implementation assistance as well as administrative support.

**Governance, Management and Committee Structure:** The ACTP structure had four levels:

1. Management Committee: responsible for the overall implementation strategy and administration of the Agreement (senior representatives from each Partner organization)
2. TPC (Tourism Programs Committee): functional responsibility for advising the Management Committee and for co-ordinating and monitoring activities carried out under the Agreement.

   And

   ERC (Evaluation and Research Committee): responsibility for co-ordinating and overseeing all evaluative and planning research carried out under the Agreement.
3. Program Committees: operational responsibility for advising the TPC and implementing individual programs carried out under the Agreement.
4. Program Sub-Committees: operational responsibility for advising the Program Committees and implementing individual initiatives carried out under the Agreement.

Each partner was represented equally in the first three types of committee. An incremental planning process was employed under which individual projects were evaluated and approved within the context of the objectives of the Agreement but in the absence of a comprehensive strategic plan. All project decisions were subject to a decision-making and approval process that required consensus support within at least three of the four committee levels. This involved 20 to 30 separate people, and tended to be iterative, duplicative, and time-consuming.

There were no dedicated resources available to manage the operations of the Agreement. The management and support roles were shared between the ACTP committees, which were in turn

staffed by provincial officials, industry representatives and Tourism Atlantic officials who had other, full-time responsibilities. As a result, there was no clear ownership or accountability for ACTP, an $18 million dollar initiative with more than 50 separate projects.

**Economies of Scale:** There were distinct economies of scale in ACAT activities, including increased media buying power, jointly-held trade shows (both "local" initiatives like Atlantic Canada Showcase, Rendez-Vous Canada, and open-house events on the CAT ferry in Boston, as well as shows in long-haul markets like Europe and Japan), and increased research efforts due to joint funding.

## Recommendations

Our recommendations for future agreements like the ACAT are presented under two categories – those dealing with governance issues, and those pertaining to management and implementation.

| | |
|---|---|
| | **Governance** |
| **Recommendation 1** | Adopt a strategic plan to establish the implementation framework and to specify planned interventions and expected results for specific kinds of projects in specific market areas. |
| **Recommendation 2** | Use an annual planning approach to adapt to changing conditions or benefit from lessons learned. |
| **Recommendation 3** | Incorporate a strong research focus linked to implementation of projects. |
| **Recommendation 4** | Establish a more streamlined model with fewer committees that focuses responsibility and authority for decision-making at the appropriate level. |
| | **Management and Implementation** |
| **Recommendation 5** | Determine the "best" management model and ensure its establishment is transparent. |
| **Recommendation 6** | Provide dedicated resources for project implementation. |
| **Recommendation 7** | Establish performance measures and a regular management reporting system to demonstrate and track project implementation progress and results, and report regularly to partners and stakeholders. |
| **Recommendation 8** | Be specific in project design, and eliminate the practice of providing a "global" project authorization prior to detailed project design. |
| **Recommendation 9** | Work toward consistent tourism statistics that are comparable within Atlantic Canada. |
| **Recommendation 10** | Restrict the use of the Atlantic Canada brand to Europe and Japan. In all other markets the use of Atlantic Canada should be restricted to a geographic locator as opposed to a brand. |

# 1. Introduction

## 1.1 Background

This report is an evaluation of the Atlantic Canada Agreement on Tourism (ACAT). The ACAT was delivered by the Atlantic Canada Tourism Partnership (ACTP), consisting of the four Atlantic tourism industry associations, the governments of the four Atlantic Provinces, and the Government of Canada represented by the Atlantic Canada Opportunities Agency through Tourism Atlantic. The partners signed the Agreement in July 1997. The $18 million ACAT expires on 31 March, 2000.

The evaluation was carried out by The ARA Consulting Group (a division of KPMG Consulting LP), and Collins Management Consulting & Research Ltd. The evaluation was undertaken in two phases. Phase I, from May to August, 1999, included development and prioritization of relevant evaluation issues, and development of an evaluation plan outlining the recommended methodology for the evaluation. The Phase I report, *Evaluation Plan, August, 1999*, is attached as Appendix A. Phase II, undertaken from September 1999 to February 2000, encompassed a combination of file reviews, interviews, case studies, workshops, and data analysis. This document reports on the results of the Phase II analyses.

## 1.2 Description of the ACAT

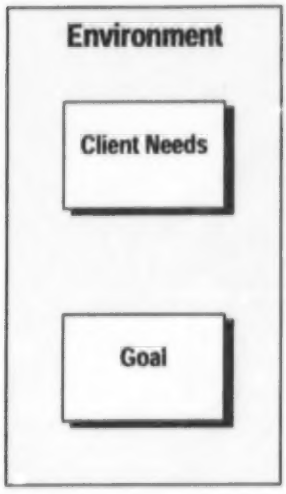
The Atlantic Canada Agreement on Tourism was the third in a series of pan-Atlantic tourism agreements. The first such initiative was the 1991 Canada/Atlantic Provinces COOPERATION Agreement that expired in March, 1994. It was a $10-million marketing agreement (60% ACOA, 40% provinces) targeting New England, the Mid-Atlantic States, Japan, and Europe.

The second pan-Atlantic agreement was the 1993 – 1997 Atlantic Canada Tourism Partnership (ACTP), a $12.875-million (ACOA 55%) Action Program initiative with TIAPEI as the industry applicant on behalf of the industry in all four Atlantic Provinces. The partnership targeted both domestic (Ontario and Quebec) as well as international markets.

The 1997 – 2000 ACAT focused on three areas: destination marketing in international markets, product marketing to the touring trade, and product development that would increase market readiness and thereby allow the industry to increase its competitiveness. The $18-million ACAT (ACOA 50%, provinces 30%, industry 20%) had varying target markets. In Year 1 the focus was on the US Mid-Atlantic States, Europe, and Japan. In Year 2 the targets were seven US cities (Atlanta, Boston, Chicago, Detroit, New York, Philadelphia, and Washington), along with Europe and Japan as in Year 1. Year 3 saw a different US focus (New England, Mid-Atlantic States, Atlanta, and Chicago), with continued activity in Europe and Japan.

A simple logic model for the Agreement is shown on the following pages. The model sets out the major components of the Agreement on the left, and the indicators for each of these components on the right.

## Figure 1: The Agreement's Program Logic Model



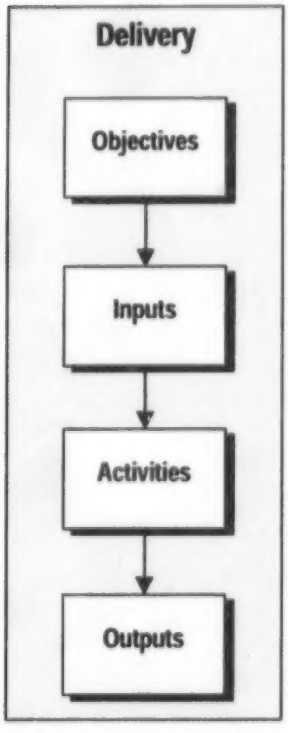

The "Client" is defined as the tourist
The tourism industry is a stakeholder

International market awareness
Marketing strategy integration

Air access
Non-peak access
Service quality

To grow tourism in Atlantic Canada by marketing Atlantic Canada to international markets as a preferred tourist destination and to increase the market readiness of tourist product offerings

To achieve economies of scale through an integrated marketing strategy




**From Policy and Operational Guidelines:**

Increase tourism revenues from international markets
Increase investment in new developmental tourism products
Increase the number of tourism products (international markets)
Match or exceed the national rate of growth in international markets

In-kind contributions
Human resources

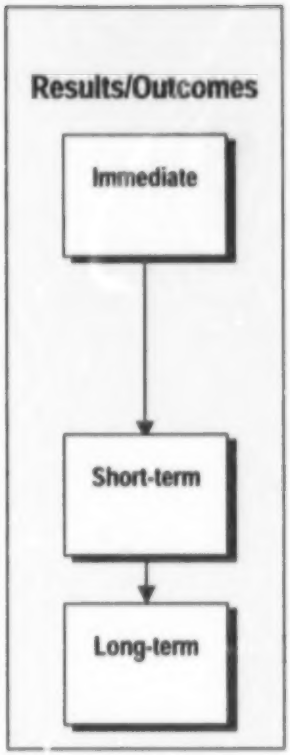
Financial resources

Providing industry support
Developing travel trade strategy

Developing products
Marketing internationally

Contributions
Campaigns, marketing initiatives
Product development strategies
Product development initiatives

Marketing strategies
Consumer advertising
research




Increased investment in new products
Increased attendance (total and non-Canadian) at Atlantic Showcase
Increase tour package sales
Increased use of progressive management practices
Increased number of enquiries from campaigns
Increased awareness of Atlantic Canada
Increased use of tourism research studies

Increased tourist revenues (international)
Increased visitation (international)
Increased awareness of Atlantic Canada

Successful start-up of tourist establishments
Expanded tourism businesses
Increased employment and income
Extended tourist season
Increase in non-peak visitation

The Agreement evolved in terms of its implementation approach and its content over the three-year period. Some provinces moved quickly to design and put forward projects for approval, whereas others moved more slowly. There were concerns about how to design projects dealing with product development – concerns that ultimately led to product development projects being downplayed significantly within the Agreement. While some partners felt that Agreement projects should focus on developmental markets, there was pressure by others to use Agreement funds to encourage increased visitation from traditional markets. This led to a stronger "return-on-investment" approach rather than one fostering increases in awareness of Atlantic Canada in market specific areas.

There were also problems in implementing an Atlantic Canadian branding approach to marketing the region. Some partners disagreed that Atlantic Canada could be marketed as a single entity, both for reasons of access and characterization of the tourism product. Newfoundland and Labrador, for example, had difficulty with the implication that a visitor to Atlantic Canada could easily visit Newfoundland once the visitor had reached the Maritimes. With respect to characterization of the product, there was concern with a potential loss of provincial identity through the inappropriate use of provincial symbols, where a prospective visitor might be led to expect icebergs in the Maritimes or typical Maritime scenes in Newfoundland and Labrador.

As well, different provinces treat given market areas (e.g. New England) differently, in that an area might be a well-developed source of visitors for some provinces but an essentially undeveloped visitor origin for others. Requiring all partners to participate in a campaign that promoted Atlantic

Canada in a given market area was occasionally seen as inappropriate, in that a partner's contribution to the campaign could be viewed as unnecessary (and, indeed, could result in a negative impact in terms of eroding market presence built up over past years). These and other issues are examined in more detail in subsequent chapters.

Extra effort and time was required by partners to recognize and accommodate the distinctiveness of Newfoundland and Labrador in terms of its location, its markets, and its tourism product.

By the Spring of 1998, it was generally agreed by most partners that there were challenges in implementing the Agreement, and that a visioning session would help to establish a basis under which its implementation could best go forward. The purpose of the session was:

- to develop consensus amongst all stakeholders on a shared vision of the Partnership and the strategic plan;
- to better ensure efficiency, effectiveness and value from the implementation of the ACTP strategic plan; and
- to generate and provide stakeholder input to the Management Committee for decisions about improving the delivery mechanisms of the Agreement.

The visioning session was a positive reminder of the benefits of joint planning and action, and implementation of the Agreement was considerably improved after the session. However, during its final year the Agreement did undertake a fundamental shift away from its original strategy and moved towards one focused on individual provincial campaigns rather than joint initiatives marketing the region.

In terms of the implementation of the ACAT projects, there were on-going concerns by some provincial representatives that they had insufficient time and support to oversee the ACAT projects for which they were responsible. The ACAT Secretariat provided administrative assistance (secretarial support, financial reporting, co-ordination, monitoring, scheduling), but its mandate did not include project management or implementation. Tourism Atlantic (ACOA's tourism arm) agreed to give up its vote on Tourism Programs Committee and to provide implementation services, effectively becoming a "doer" of projects.

This intervention was very helpful to implementation of the ACAT's projects, but Tourism Atlantic, towards the end of the Agreement, subsequently indicated it wished to resume its full partnership role with other ACTP members.

## 1.3 Evaluation Methodology

Phase I of this evaluation included development of relevant evaluation issues and an evaluation plan outlining the recommended methodology for the evaluation. As mentioned, the Phase I report, *Evaluation Plan, August, 1999*, is attached as Appendix A. Phase II, undertaken from September 1999 to February 2000, encompassed a combination of file reviews, interviews, case studies, workshops, and data analysis.

The file reviews included appraisals of committee proceedings (Management Committee, Tourism Programs Committee, Evaluation and Research Committee, functional committees and relevant

project subcommittees), project reports, financial reports, committee presentations, and other research materials.

A substantial number of interviews were carried out with key informants – 21 in Phase I to establish issues and priorities, and 32 in Phase II to explore the relevance of the ACAT, its achievements, and its cost-effectiveness. A list of persons interviewed is presented in Appendix B.

Case studies were carried out on 14 projects – five dealing with the Agreement's impact on industry growth, five pertaining to the ACAT's impact on the industry's market readiness, and four dealing with its impact on non-peak travel promotion. The case study projects represented about 64% of Agreement spending. Appendix C presents a synopsis of each study.

Two workshops were held, both at ACOA offices in Moncton. The first, in June 1999, dealt with confirmation of evaluation issues and evaluation priorities, and the relationships between ACAT objectives, projects, and results. The second workshop, in January 2000, included a discussion of preliminary results from interviews and case study analysis. Attendees at each workshop are listed in Appendix D.

## 1.4 Contents of Report

The remainder of this report consists of five chapters:

- **Chapter 2 – The Agreement and The Industry** – an overview of the projects carried out under the Agreement, and of industry performance over the Agreement's duration;
- **Chapter 3 – Relevance of the Agreement** – a discussion of issues relating to Agreement benefits, use of the Atlantic Canada brand, and the incremental nature of the Agreement;
- **Chapter 4 – Achievements of the Agreement** – presentation of Agreement achievements in terms of industry growth, market readiness, lessons learned from projects in long-haul markets, and promotion of non-peak travel;
- **Chapter 5 – Cost-Effectiveness of the Agreement** – issues relating to the manner in which the Agreement was carried out in terms of co-ordination with the CTC, the strategic nature of Agreement initiatives, the roles of various Agreement partners, governance and management issues, and achievement of economies of scale; and
- **Chapter 6 – Conclusions and Recommendations** – our conclusions about the effectiveness of the ACAT and recommendations relating to the design and content of future agreements.

The report also contains six appendices:

- **Appendix A – Evaluation Plan**
- **Appendix B – Persons Interviewed**
- **Appendix C – Case Studies**
- **Appendix D – Workshop Attendees**
- **Appendix E – Interview Guide**
- **Appendix F – Secretariat Responsibilities**

# 2. The Agreement and The Industry

## 2.1 ACAT Projects

The 52 projects carried out under the ACAT can be broadly classified into six types:

| Project Type | Budget | | Expenditure Forecasts | |
|---|---|---|---|---|
| Short-Haul Consumer Marketing | 7,818,281 | 38.7% | 7,582,443 | 39.3% |
| Short-Haul Travel Trade Marketing | 6,089,100 | 30.2% | 5,595,491 | 29.0% |
| Long-Haul Marketing | 3,080,260 | 15.1% | 2,918,353 | 15.1% |
| Product Development | 1,035,000 | 5.1% | 769,050 | 4.0% |
| Research and Evaluation | 811,500 | 4.0% | 713,607 | 3.7% |
| Administration | 1,343,375 | 6.7% | 1,737,264 | 9.0% |
| **Total** | **20,177,516** | **00.0%** | **19,316,208** | **100.0%** |

### 2.1.1 Short-Haul Marketing

The first two project types, representing close to 70% of expenditures under the Agreement, were focused on marketing initiatives in short-haul markets in the United States (New England, Mid-Atlantic States, and seven US cities identified through air access studies – Atlanta, Boston, Chicago, Detroit, New York, Philadelphia, and Washington). These market areas, particularly New England, are generally regarded as core markets for all ACAT partners except Newfoundland and Labrador. Since many visitors to Atlantic Canada come from these market areas, and since visitors to the region can be surveyed as to the factors that influenced their decision to visit, the success of these campaigns can be, and generally were, measured.

The methodology to measure success is called conversion research. It includes:

- recording the number of inquiries resulting from a specific advertizing campaign;
- determining the number of parties among those who inquired who actually visited (those who converted);
- estimating the cost per inquiry and the cost per converted party;
- estimating the total expenditure of the visiting parties; and
- calculating a Return on Investment (ROI)[1] for the campaign.

For example, the conversion research for all of the 1998 US short-haul initiatives showed that the activities generated 100,668 inquiries and that 25,732 parties visited, for a conversion rate of 26%. The advertizing cost was $1.855-million, which meant that the cost per inquiry was $18.44, and the cost per converted inquiry was $72.12. The visiting parties were estimated to have spent $36.2-

[1] Actually a misnomer. The generally accepted definition of the term "Return on Investment" or ROI relates to the percentage return on an investment in a given enterprise or activity – for example, an ROI of 10% on an investment. The term's use here refers to the ratio of visitor expenditures to advertising investment.

million, and against the originally-estimated $5.02-million cost of the initiatives, this represented a tourist expenditure to project cost ratio of approximately 7:1, or an ROI of 7. Subsequent examination of the costs of the US short-haul initiatives led to a $4.00-million estimate, and a corresponding increase in the ROI to 9. Were the cost estimate to be reduced to simply the cost of the advertizing ($1.855-million), the ROI would have increased to 19.

Short-Haul Consumer Marketing projects were US campaigns focused on drawing tourist visitors to Atlantic Canada. The majority of funds were for four advertizing and marketing campaigns, typically in the $1.5-million to $2.5-million range.

**Short-Haul Consumer Marketing Projects**

| Proj # | Project Title | Budget | F'cast Exp |
|---|---|---|---|
| 503-1184 | US Consumer Co-op Program 1999 | 2,600,000 | 2,600,000 |
| 100-4625 | 1998 US Consumer Advertising | 1,600,000 | 1,599,887 |
| 100-4634 | 1998 US Marketing | 1,560,000 | 1,559,742 |
| 100-4591 | US Campaign | 1,513,281 | 1,305,393 |
| 503-1559 | US Consumer Ad Campaign | 200,000 | 200,000 |
| 503-1359 | Development of a Strategic Entertainment Prod'n | 175,000 | 195,750 |
| 100-4613 | Editorial Project - US | 60,000 | 59,749 |
| 503-1054 | Editorial Project - US | 60,000 | 11,922 |
| 503-1484 | Editorial Project | 50,000 | 50,000 |
| | | **7,818,281** | **7,582,443** |
| | | **38.7%** | **39.3%** |

Short-Haul Travel Trade Marketing projects consisted of two large promotions directed at members of the travel trade, plus a number of smaller initiatives to assist the Atlantic Canadian industry in presenting products and properties to representatives of the trade.

**Short-Haul Travel Trade Marketing Projects**

| Proj # | Project Title | Budget | F'cast Exp |
|---|---|---|---|
| 100-4601 | AC Direct Program (Collette) | 2,047,000 | 1,867,820 |
| 503-1495 | Trade Sell - Canada Specialist Pgm Presents Atl Cda | 1,130,000 | 1,130,000 |
| 503-1185 | US Wholesaler Support Program 1999 | 650,000 | 650,000 |
| 503-1358 | Atlantic Canada Showcase 1999 | 394,000 | 364,000 |
| 503-1186 | US Travel Trade Co-op Program 1999 | 390,000 | 390,000 |
| 100-4638 | Atlantic Showcase '98 | 360,000 | 405,000 |
| 100-4690 | Showcase 1997 | 351,600 | *Missing* |
| 503-1187 | Rendez-vous Canada 1999 - Halifax | 266,500 | 266,500 |
| 100-4612 | Brian Moore Tours Project | 200,000 | 223,968 |
| 503-0928 | Rendez-vous Canada Atl Cda Night - Quebec City | 150,000 | 148,036 |
| 100-4623 | Travel Trade - Maxxim Vacations Project | 130,000 | 130,000 |
| 503-1356 | Pre/Post Rendezvous Canada Fam Tours | 20,000 | 20,167 |
| | | **6,089,100** | **5,595,491** |
| | | **30.2%** | **29.0%** |

## 2.1.2 Long-Haul Marketing

The Long-Haul projects differed from the Short-Haul projects. First, they focused on Europe (United Kingdom and Germany) and Japan, origins where travellers have more significant cost-related and timing decisions to make when visiting Atlantic Canada than do visitors from the US eastern seaboard. Second, these areas are essentially undeveloped markets for Atlantic Canada, in that they generate relatively few visitors to the region. As such, they require more of a market awareness approach than one actively soliciting a visit to the region in the near future. Their impact in terms of visitors to Atlantic Canada is thus more difficult to measure, at least in the short term. Intermediate objectives, such as the number of in-market companies actively marketing Atlantic Canada, were specified and measured instead.

**Long-Haul Marketing Projects**

| Proj # | Project Title | Budget | F'cast Exp |
|---|---|---|---|
| 503-0995 | Japan Project 97 | 770,000 | 770,000 |
| 503-0994 | European Project | 615,260 | 486,572 |
| 503-1357 | European Project 1999 | 425,000 | 425,000 |
| 100-4614 | European Project | 420,000 | 414,453 |
| 503-1355 | Japan Project 1999 | 400,000 | 372,386 |
| 503-1557 | European Co-op Program | 300,000 | 300,000 |
| 100-4611 | Japan Project 98 | 150,000 | 149,942 |
| | | **3,080,260** | **2,918,353** |
| | | **15.3%** | **15.1%** |

### 2.1.3 Other Project Types

The other types of ACAT projects included Product Development, Research and Evaluation, and Administration. There were only three projects dealing with Product Development, as it was determined early in the Agreement that the design and implementation of product development projects was problematic, and that the Agreement would best serve partner interests if it focused on marketing initiatives.

**Product Development**

| Proj # | Project Title | Budget | F'cast Exp |
|---|---|---|---|
| 100-4636 | Atlantic Tourism Internet System | 660,000 | 768,000 |
| 100-4642 | Atl. Cda. Strategic Product Development Study | 300,000 | *Cancelled* |
| 100-4644 | Atl. Cda. Cultural Tourism Project Development | 75,000 | 1,050 |
| | | **1,035,000** | **769,050** |
| | | **5.1%** | **4.0%** |

The Research and Evaluation projects were generally of limited size, with an average cost over the 14 projects of roughly $50,000 each. They included research and analysis into a wide range of issues, from development of strategies for dealing with the travel trade to product/market match studies, research into the differences between Statistics Canada and provincial survey results, and conversion studies of ACAT projects.

**Research and Evaluation**

| Proj # | Project Title | Budget | F'cast Exp |
|---|---|---|---|
| 503-1199 | Evaluation of Agreement | 160,000 | 160,000 |
| 100-4639 | ROI/Mngt Inventory-Gap Analysis | 143,000 | 143,000 |
| 100-4643 | ACTP Travel Trade Strategy | 125,000 | 125,000 |
| 100-4610 | Atl. Canada Marine Phenomena - Res & Planning | 100,000 | *Cancelled* |
| 503-1486 | Germany/UK Focus Groups | 60,000 | 60,000 |
| 503-1202 | NA Cons. Survey - Product Pot'l & Mkt Characteristics | 35,000 | 35,000 |
| 503-1489 | 1999 Conversion Study | 35,000 | 35,000 |
| 503-1200 | Cons. Assessment - Atl Cda Service & Product Quality | 30,000 | 30,000 |
| 503-1372 | Trade Sell Research | 30,000 | 30,000 |
| 503-1121 | 1998 Conversion Study | 25,000 | 24,962 |
| 503-1490 | CTS/ITS Data Harmonization | 18,000 | 18,000 |
| 503-1488 | USA Product/Market Match | 11,000 | 17,000 |
| 503-1492 | Overseas Product/Market Match | 11,000 | 15,000 |
| 503-1201 | Overseas Visitors Profiles | 10,000 | 2,145 |
| 503-1369 | Japanese Consumer Research | 10,000 | 10,000 |
| 503-1558 | Atlantic Canada Showcase 1999 Research | 8,500 | 8,500 |
| | | **811,500** | **713,607** |
| | | **4.0%** | **3.7%** |

Five initiatives were designated as projects that perhaps would have been better characterized as functions necessary to manage and implement the Agreement. They were initiatives relating to providing secretariat and implementation assistance to the partners. The Tourism Industry Association of Prince Edward Island (TIAPEI) provided secretariat services, while Pulse marketing provided implementation assistance. Research co-ordination was provided by Prism Research in Charlottetown.

**Administration**

| Proj # | Project Title | Budget | F'cast Exp |
|---|---|---|---|
| 100-4602 | Secretariat | 682,500 | 682,500 |
| 503-1393 | Pulse Marketing Compensation Pkg | 477,875 | 872,326 |
| 100-4641 | Research Coordinator | 110,000 | 110,000 |
| 100-4645 | ACTP 1998 Public Relations & Communication Plan | 50,000 | 49,807 |
| 503-1039 | ACTP - Vision/Strategy Session May 19-21/98 | 23,000 | 22,631 |
| | | **1,343,375** | **1,737,264** |
| | | **6.7%** | **9.0%** |

## 2.2 Project Details

The table on the following page indicates pertinent details of each project. The information is drawn chiefly from the Project Approval Form (PAF).

Two budget columns are shown in the table. The first, the PAF Budget, is the budget figure that was reported in the PAF document for each project. This is the budget established for the project prior to approval by the Management Committee. This figure continued to be reported in the PAF document even if the budget amount was subsequently changed.

**ACAT Project Details**

| PAF # | Project Title | Original PAF Budget | Financial Expenditure Forecast (13 Mar '00) |
|---|---|---|---|
| 503-1184 | US Consumer Co-op Program 1999 | 2,600,000 | 2,600,000 |
| 100-4601 | AC Direct Program (Collette) | 2,047,000 | 1,867,820 |
| 100-4625 | 1998 US Consumer Advertising | 1,600,000 | 1,599,887 |
| 100-4634 | 1998 US Marketing | 1,560,000 | 1,559,742 |
| 100-4591 | US Campaign | 1,513,281 | 1,305,393 |
| 503-1495 | Trade Sell - Canada Specialist Pgm Presents Atl Cda | 1,130,000 | 1,130,000 |
| 503-0995 | Japan Project 97 | 770,000 | 770,000 |
| 100-4602 | Secretariat | 682,500 | 682,500 |
| 100-4636 | Atlantic Tourism Internet System | 660,000 | 768,000 |
| 503-1185 | US Wholesaler Support Program 1999 | 650,000 | 650,000 |
| 503-0994 | European Project | 615,260 | 486,572 |
| 503-1393 | Pulse Marketing Compensation Pkg | 477,875 | 872,326 |
| 503-1357 | European Project 1999 | 425,000 | 425,000 |
| 100-4614 | European Project | 420,000 | 414,453 |
| 503-1355 | Japan Project 1999 | 400,000 | 372,386 |
| 503-1358 | Atlantic Canada Showcase 1999 | 394,000 | 364,000 |
| 503-1186 | US Travel Trade Co-op Program 1999 | 390,000 | 390,000 |
| 100-4638 | Atlantic Showcase '98 | 360,000 | 405,000 |
| 100-4690 | Showcase 1997 | 351,600 | *Missing* |
| 100-4642 | Atl. Cda. Strategic Product Development Study | 300,000 | *Cancelled* |
| 503-1557 | European Co-op Program | 300,000 | 300,000 |
| 503-1187 | Rendez-vous Canada 1999 - Halifax | 266,500 | 266,500 |
| 100-4612 | Brian Moore Tours Project | 200,000 | 223,968 |
| 503-1559 | US Consumer Ad Campaign | 200,000 | 200,000 |
| 503-1359 | Development of a Strategic Entertainment Prod'n | 175,000 | 195,750 |
| 503-1199 | Evaluation of Agreement | 160,000 | 160,000 |
| 100-4611 | Japan Project 98 | 150,000 | 149,942 |
| 503-0928 | Rendez-vous Canada Atl Cda Night - Quebec City | 150,000 | 148,036 |
| 100-4639 | ROI/Mngt Inventory-Gap Analysis | 143,000 | 143,000 |
| 100-4623 | Travel Trade - Maxxim Vacations Project | 130,000 | 130,000 |
| 100-4643 | ACTP Travel Trade Strategy | 125,000 | 125,000 |
| 100-4641 | Research Coordinator | 110,000 | 110,000 |
| 100-4610 | Atl. Canada Marine Phenomena - Res & Planning | 100,000 | *Cancelled* |
| 100-4644 | Atl. Cda. Cultural Tourism Product Development | 75,000 | 1,050 |
| 100-4613 | Editorial Project - US | 60,000 | 59,749 |
| 503-1054 | Editorial Project - US | 60,000 | 11,922 |
| 503-1486 | Germany/UK Focus Groups | 60,000 | 60,000 |
| 100-4645 | ACTP 1998 Public Relations & Communication Plan | 50,000 | 49,807 |
| 503-1484 | Editorial Project | 50,000 | 50,000 |
| 503-1202 | NA Cons. Survey - Product Pot'l & Mkt Characteristics | 35,000 | 35,000 |
| 503-1489 | 1999 Conversion Study | 35,000 | 35,000 |
| 503-1200 | Cons. Assessment - Atl Cda Service & Product Quality | 30,000 | 30,000 |
| 503-1372 | Trade Sell Research | 30,000 | 30,000 |
| 503-1121 | 1998 Conversion Study | 25,000 | 24,962 |
| 503-1039 | ACTP - Vision/Strategy Session May 19-21/98 | 23,000 | 22,631 |
| 503-1356 | Pre/Post Rendezvous Canada Fam Tours | 20,000 | 20,167 |
| 503-1490 | CTS/ITS Data Harmonization | 18,000 | 18,000 |
| 503-1488 | USA Product/Market Match | 11,000 | 17,000 |
| 503-1492 | Overseas Product/Market Match | 11,000 | 15,000 |
| 503-1201 | Overseas Visitors Profiles | 10,000 | 2,145 |
| 503-1369 | Japanese Consumer Research | 10,000 | 10,000 |
| 503-1558 | Showcase 1999 Research | 8,500 | 8,500 |
| | | **20,177,516** | **19,316,208** |

The second budget column comes from a separate financial report maintained by the Secretariat. In some cases this report shows different figures – higher than the PAF budget for eight projects and lower for 17. There is one project missing from the financial report figures because, while it is shown in the PAF listing for the ACAT, it was actually funded under the previous agreement.

The differences between the two columns reflect the facts that completed projects are usually finished at less than budgeted (14 of the 17 projects shown above), and that some budgets are increased after initial approval..

## 2.3 Industry Performance

Over the duration of the Agreement from July, 1997 to the end of 1999, the tourism industry enjoyed substantial growth – on a worldwide basis, in Canada, and in Atlantic Canada.

### 2.3.1 International Arrivals

International tourist arrivals by major market area, in millions of persons, were as follows.

| Region | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|
| Europe | 353.7 | 370.6 | 381.9 | 385.9 |
| Americas | 116.7 | 118.3 | 122.0 | 126.7 |
| East Asia/Pacific | 89.0 | 88.3 | 87.2 | 93.7 |
| Africa | 21.9 | 23.4 | 25.0 | 27.3 |
| Mid East | 13.2 | 14.3 | 15.3 | 18.0 |
| South Asia | 4.4 | 4.8 | 5.2 | 5.4 |
| **Total** | **599.0** | **619.7** | **636.7** | **656.9** |
| Source: World Tourism Organization press release, 27 Jan 00 | | | | |

Apart from decreases in East Asia in 1997 and 1998 that reflected economic conditions at the time, all regions showed year-on-year increases over the four years. Worldwide arrivals increased by 9.7% from 1996 to 1999 (an annual average of 3.1%). Individual destinations showed 1996/1999 average annual growth rates as follows:

| | | | |
|---|---|---|---|
| Europe | 2.9% | Africa | 7.6% |
| Americas | 2.8% | Mid East | 10.9% |
| East Asia/Pacific | 1.7% | South Asia | 7.1% |

### 2.3.2 Canadian Arrivals

Of the three largest tourism destinations in the Americas, Canada showed the most consistent growth over the period. US arrivals have been almost flat since 1996, and Mexican activity was down slightly. Canada, by contrast, showed a 1996/1999 increase of 13.3% (an annual average growth rate of 4.2% – better than the Americas rate of 2.8% and better than the worldwide figure of 3.1%).

| Region | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|
| United States | 46.5 | 47.8 | 46.4 | 47.0 |
| Mexico | 21.4 | 19.4 | 19.8 | 20.2 |
| Canada | 17.3 | 17.6 | 18.8 | 19.6 |
| **Americas** | **116.7** | **118.3** | **122.0** | **126.7** |
| Source: World Tourism Organization press release, 26 Jan 00 | | | | |

### 2.3.3 Atlantic Canadian Visitation

Figures for non-resident visitation to the four Atlantic Canadian Provinces, shown below in thousands, illustrate similar patterns.

| Province | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|
| New Brunswick | 1,225 | 1,357 | 1,469 | 1,458 |
| Nova Scotia | 1,116 | 1,315 | 1,411 | 1,730 |
| Prince Edward Island | 788 | 1,238 | 1,274 | 1,270 |
| Newfoundland & Labrador | 305 | 370 | 372 | 400 |
| Source: ACTP, Sep 99 | | | | |

From 1996 to 1999, non-resident visitation to all four provinces increased by 41.5%, for an annual average increase of 12.3%. The annual average increase in visitation to individual provinces over the three years ranged from a low of 6.0% for New Brunswick to a high of 17.2% for Prince Edward Island. In comparison to the 1996/1999 annual average growth rate of 4.2% for Canadian arrivals, the increase of 12.3% for the Atlantic Canadian Provinces is remarkable.

Measuring visitation and expenditures in Atlantic Canada, however, is not without difficulties. The above Atlantic Canadian Provincial figures are drawn from tabulations prepared by the ACTP. Figures from Statistics Canada's International Travel Survey would show different results. In general, the trends shown in the ITS and provincial figures are in similar directions, but the figures differ for a number of reasons:

- the ITS records overnight visitation only, whereas some provincial statistics (notably Prince Edward Island and New Brunswick) include same-day visitors who did not stay overnight;
- the ITS results are based on a full year, whereas most provincial data is based on a May to mid-October season (although some provinces are now reporting annual results);
- most provinces define the US Mid-Atlantic States to include New York, New Jersey, and Pennsylvania, whereas Prince Edward Island adds Maryland, Delaware, Virginia, and the District of Colombia to the definition; and
- the ITS sample in Prince Edward Island is small in comparison to other provinces, and as a result the results have lower confidence levels and higher margins of error than those for other provinces.

Another source of information on Atlantic Canada visitation is Canada Customs entry data for visitors from the United States. While this source only includes US visitors, it is of interest for two reasons. First, the majority (roughly 68%) of ACAT funds were expended in initiatives directed at attracting US visitors from New England and the Mid-Atlantic States. While the Canada Customs figures include visitors from throughout the United States, it is reasonable to expect that the majority of them will come from the New England and Mid-Atlantic regions. While growth in the Canada Customs figures would not necessarily be due to ACAT initiatives, if there were no or little growth in the figures, the effectiveness of ACAT initiatives might be in question.

The second reason the extent of this visitation is of interest is because it provides an opportunity to compare growth in visits to Atlantic Canada with growth in visits to the rest of Canada. If there were greater growth in the number of visits to Atlantic Canada than to the rest of Canada, it might not necessarily be due to ACAT initiatives. But if the growth were less, the effectiveness of ACAT activities might be in some doubt.

As it turns out, the Customs entry figures for US visitors show substantial growth, as illustrated in the following table (visitation figures in thousands).

| AREA | 1996 | 1997 | 1998 | 1999 | 3 Year | Av Annual |
|---|---|---|---|---|---|---|
| Atlantic Canada | 522 | 562 | 628 | 689 | | |
| % Increase | | 7.7% | 11.7% | 9.7% | 32.0% | 9.7% |
| Rest of Canada | 12,429 | 12,839 | 14,261 | 14,637 | | |
| % Increase | | 3.3% | 11.1% | 2.6% | 17.8% | 5.6% |
| Source: Statistics Canada 66001 | | | | | | |

As indicated, growth in US visits to Atlantic Canada was substantially higher than growth in US visits to the rest of Canada. The 3-year percentage increases for the other provinces were as follows:

| | | | | | |
|---|---|---|---|---|---|
| Quebec | 18.8% | Manitoba | 5.9% | Alberta | 11.3% |
| Ontario | 16.2% | Saskatchewan | 4.5% | British Columbia | 23.0% |

The issue of inconsistency between federal and provincial statistics is being addressed by ACTP by commissioning research to harmonize the International Travel Survey (ITS) and Canadian Travel Survey (CTS). An initial harmonization project in 1999 provided good estimates of tourism activity in Atlantic Canada, although individual provincial results were considered suspect due to small sample sizes. Further research has been approved to develop weighting procedures to allow comparison of ITS/CTS figures with provincially-generated figures.

# 3. Relevance of the Agreement

This chapter presents a discussion of issues relating to Agreement benefits, use of the Atlantic Canada brand, and the incremental nature of the Agreement.

## 3.1 Issue 1 – Benefits of the Agreement

This issue is characterized by the questions "Is each of the four Atlantic Provinces continuing to benefit from activities undertaken and supported by the Agreement? Is an Atlantic Canadian brand an effective strategic tourism development tool?"

The issue is at the heart of the Agreement, in the sense that if the answer were negative, there would be little point in the Agreement. Almost all respondents indicated a positive response to the issue. They felt there were benefits to activities undertaken by the Agreement.

To explore the issue in more depth, five supplementary questions were asked of respondents:

- In broad terms, what was the role of the ACAT in tourism development?
- How did your organization explicitly benefit from the ACAT?
- Were there benefits from the ACAT that should have occurred but did not?
- Under what conditions does it make sense to have an Atlantic Canadian brand?
- How could the Agreement have used an Atlantic Canada brand approach differently to assist its partners?

### 3.1.1 In broad terms, what was the role of the ACAT in tourism development?

Most respondents agreed on the role of the Agreement – it was a tourism market development program on an Atlantic Canadian scale. Responses to the question included ... "levered dollars for market development", ... "a funding source for federal money", ... "allows access to markets otherwise inaccessible", and ... "creates economies of scale".

Many respondents felt that, while none of the Provinces individually were of sufficient size to "make a lot of noise" in target market areas – particularly distant areas like Europe or Japan – there is a greater chance of being heard when they are marketed as a group with federal financial assistance.

Some respondents felt the forum provided by the Agreement was of benefit in terms of increasing inter-provincial communication and co-operation. A number of officials from Newfoundland and Labrador, for example, felt the exposure to joint planning, opportunity identification, and problem solving through their work on various Agreement committees was beneficial, in that they were frequently working with others who had already "done that, been there". The joint approach in these cases meant that resolutions to problems elsewhere were directly applicable to Newfoundland and Labrador endeavours.

The Agreement also provided a forum for public sector and private sector industry representatives to discuss marketing plans. As one business person pointed out ... "The public sector markets, and the

private sector sells." It is clear that private sector operators rely on their public sector partners to market the provinces and the area, as they have the skills and resources to do so.

It is interesting to note that the concept of marketing the four Atlantic Provinces as a region originated with private operators in the late 1980s who were interested in increasing regional awareness in European markets. Some business respondents reported that they preferred awareness campaigns in lesser-developed markets rather than the ROI-driven approaches in developed market areas that characterized the majority of ACAT activity.

### 3.1.2 How did your organization explicitly benefit from the ACAT?

Virtually all representatives of ACAT partners that were contacted reported distinct benefits accruing to their organizations. Responses to the above question included "produced increased visitation and revenue" ... "permitted the four provinces to reach new markets they would otherwise not have been able to reach individually," ... "used CTC and ACAT research to fine-tune our provincial approach to certain markets," ..."tried new approaches like Atlantic Canada Showcase which made it affordable to individual operators," and "improved collaboration and promoted learning amongst provinces."

In short, there was virtual unanimity that the ACAT delivered benefits to all its partners. And in some cases, positive results came almost in spite of some individuals' concern with the joint approach requiring consensus approval. In one case, for example, a province didn't want to participate in a Japanese venture, but now receives 10,000 visitors a year that would not have come otherwise. Provincial representatives have modified their opinions accordingly.

### 3.1.3 Were there benefits from the ACAT that should have occurred but did not?

While all partners saw benefits, there were drawbacks – possibly depending, as one observer put it, on "whether one sees the glass half-empty or half-full". A number of respondents expressed disappointment that the ACAT had been unable to maintain a consistent product / brand / image/ message for three full years. They pointed to the futility of expecting good results when "there were different approaches and different programs in each of the three years, with changes to the message, the target, and the banner each year."

As well, some partners felt that the benefits from the ACAT came at the expense of diverting focus from core provincial strategies. This was particularly a problem where a specific initiative may not have been central to a given province's core strategy, but provincial resources nevertheless had to be directed to the initiative.

In addition to diverting attention (and scarce human resources) from core activities, the Agreement reportedly created confusion in the marketplace concerning provincial brands that had been historically developed and promoted. If a province had expended substantial effort and resources on developing and promoting a given brand in the past, then promotion of that same province in a significantly different way was felt to create an unclear message and possibly erode the market value of the brand.

### 3.1.4 Under what conditions does it make sense to have an Atlantic Canadian brand?

The previous section refers to a brand equity dilution issue, where past efforts to promote a given provincial brand were felt by some to have been compromised by some Agreement activities. The specific case in point was the use of Atlantic Canada as a brand in some markets. There was much comment on this issue during the interviews. In general, when individual respondents were asked about the issue, they felt use of the brand was not appropriate, whereas when the same individuals discussed the concept in a group setting, they felt the concept had merit. Individually, many felt it was "fine as long as we're not involved".

The ACTP is an Atlantic Canadian venture, although in some cases it appears to be approached by its provincial partners from solely a provincial perspective, in that each province has its own vision of the industry and how it should be developed. As an Atlantic Canadian initiative, however, it can only work effectively by advancing the interests of the partners collectively. One way to do this was felt to be through a joint marketing approach using a fifth, collective brand name complementary to the existing provincial brand names. This approach was tried and judged to be unsuccessful.

The approach presented three kinds of problems. First, as described above, there was a perception by some that it was counter-productive in certain markets, where a province like Nova Scotia, for example, with a relatively well-established brand name or presence in New England, could risk seeing the Nova Scotian brand replaced by one where the province was simply part of Atlantic Canada. After investing heavily over the years to establish brand recognition as Nova Scotia, it made little sense to move to an Atlantic Canadian brand.

Second, in the case of Newfoundland and Labrador, there are few "accidental" tourists who visit the province as part of an Atlantic Canadian visit. Unlike a visitor to New Brunswick who might also visit Prince Edward Island or Nova Scotia "on a whim", Newfoundland and Labrador is a separate destination, requiring a significant time and dollar commitment to visit. Marketing Atlantic Canada therefore makes little sense from the perspective of Newfoundland and Labrador if the message is simply to visit Atlantic Canada. Exit surveys indicate it is the primary destination for 71% of visitors to the province, and the average length of stay is reportedly 11 days – far longer than for the other Atlantic Canadian provinces.

Third, some icons were reportedly used improperly, or at least ineffectively, in some campaigns. Examples cited related to the use of icebergs and whales (distinct Newfoundland and Labrador icons) in such a manner that tourist might expect to see the icons when visiting, say other provinces.

The above "problems" with an Atlantic Canadian brand pertain almost exclusively to short-haul markets like New England, Ontario, or Quebec, where most provinces have already established a respectable brand presence. There was almost universal agreement among respondents that, for long-haul markets in Europe or Japan, a joint approach made sense. Visitors in these markets frequently do not distinguish between the provinces (if they even know they exist), but may be interested in visiting the region and seeing as much of it as they can. One exception to its use in long-haul markets would relate to marketing Prince Edward Island in Japan, where the Province is a special market and may require its own marketing strategy.

One issue relating to the question of whether an Atlantic Canadian brand made sense was whether its use would be *sustainable* – if it would continue to be used in the absence of a joint marketing

agreement. At an evaluation workshop it became apparent that the private sector, at least, would continue its use in Europe, recognizing the fact that "We're competing with Florida, and California, and Quebec, and other major destinations – we shouldn't be competing among ourselves".

### 3.1.5 How could the Agreement have used an Atlantic Canada brand approach differently to assist its partners?

During group discussion of the branding concept at the same evaluation workshop, it was agreed that a regional brand makes sense in long-haul markets and that it is useful for geographic positioning in marketing messages, but it is not appropriate for describing individual provincial products. During the course of the ACAT's execution, as these points of view became clear, the use of the Atlantic Canadian brand was modified to reflect the concerns.

In the case of the actual brand – Atlantic Canada – it was suggested by some that "Canada's East Coast" may be a better descriptor, as focus groups in Germany indicated the term Atlantic Canada brings to mind an image of a cold, miserable, and wet environment. In addition to acting as a "geographic positioner," use of the phrase "Canada's East Coast" would eliminate the negative image problem of the words "Atlantic Canada"

Notwithstanding the fact that "Canada's East Coast" as a name may be more appropriate than Atlantic Canada, however, Newfoundland and Labrador has marketed itself as "Canada's Far East" in some campaigns, and Nova Scotia has included a tag line "Canada's Sea Coast" in some material, indicating a possible problem with use of the "Coast" term.

## 3.2 Issue 2 - Incrementality

This issue is characterized by the question "Has the Agreement primarily funded incremental activities (i.e. those which cannot be funded under federal and/or provincial programs)?"

The issue of incrementality is fundamental to any federal-provincial agreement like the ACAT. Such an agreement's *raison d'etre* is that the initiatives under the agreement would not or could not be undertaken by either partner individually. If the answer to the question were negative, the Agreement would be seriously compromised. The response, however, was overwhelmingly positive.

To explore the issue in more depth, supplementary questions were asked of respondents:

- Where did the Agreement fit in the range of tourism initiatives in your province, both in terms of focus and funding? Did the ACAT enhance or limit your tourism programming?
- Can you identify any projects that would not have gone ahead or would have been significantly scaled down if ACAT funds were not available? Were there any projects whose success was diminished by the ACAT or its process?

### 3.2.1 Where did the Agreement fit in the range of tourism initiatives in your province, both in terms of focus and funding? Did the ACAT enhance or limit your tourism programming?

In general, the ACAT appeared to fit well in terms of both focus and funding for the marketing programs undertaken by the Maritime Provinces. Newfoundland and Labrador representatives reported concerns with the focus not being similar to the Province's core strategy. Notwithstanding these concerns, however, the Agreement has clearly funded incremental activities.

With respect to the ACAT's impact in enhancing tourism, comments included … "Significantly enhanced our programs – we couldn't access the markets the Agreement operates in without Agreement funding" … "we wouldn't be in Europe, Japan, and some US cities without it" … "it fitted with our strategic focus" … "it enhanced what we wanted to do – the additional marketing muscle gave us much greater exposure" … "no question, it assisted with incremental activity in the European market – we were trying to ramp up our exposure in the UK by ourselves, but couldn't do it because of the high cost".

The concern expressed by Newfoundland and Labrador representatives referred to the cost of participation in Agreement programs even if they were incremental. They pointed out that while the Province wouldn't be marketing in Japan in the absence of the agreement, for example, the financial and human resources necessary to participate in the campaign must come from resources that would otherwise support the Province's core strategy. In the final analysis, other benefits to Newfoundland and Labrador from participation in the Agreement partially outweigh these kinds of concerns.

### 3.2.2 Can you identify any projects that would not have gone ahead or would have been significantly scaled down if ACAT funds were not available? Were there any projects whose success was diminished by the ACAT or its process?

There were many projects that would not have gone ahead or that would have been scaled down in the absence of the Agreement. They included the Rendez-Vous Canada and the Atlantic Canada Showcase projects, virtually all of the European and Japanese campaigns for some players, the International Travel Survey project, Market Place trade shows, weekend ferry promotions in Boston, and much of the co-operative advertising in the New England Market.

There were no projects reported where the project's success was diminished by the ACAT or its process. The only negative comments in this regard were those referring to the extra cost and effort of participating in projects which were not related to a given province's core strategy.

# 4. Achievements of the Agreement

This section focuses on the achievements of the ACTP — its important results and accomplishments. Four of the 11 evaluation questions are related to the achievement theme. These four issues are designed to examine the major intentions of the Agreement.

**Issue 3** – What impact has the Agreement had on the growth of the industry?

**Issue 4** – What impact has the Agreement had on the market readiness of the industry?

**Issue 5** – What lessons have been learned and what results achieved from marketing and development campaigns in the UK, Germany and Japan carried out under past and current Agreements?

**Issue 6** – What factors have contributed to Agreement efforts to promote non-peak travel?

The specific methodologies used to address these questions included a combination of interviews, report and document reviews, and data analysis. These methods were undertaken on a stand-alone basis and as components of our case study analysis, reported in Appendix C. The projects chosen for case study analysis included:

| Issues | Project Name | PAF | Complete Date | Budget | % of ACAT $ | Report on File? |
|---|---|---|---|---|---|---|
| **#3: Impact on growth of industry** | | | | | | |
| | Japan Project | 100-4611 | Mar-98 | 150,000 | 1% | N |
| | Japan Project | 503-0995 | Spr 99 | 770,000 | 4% | Y |
| | European Project | 100-4614 | Spr 98 | 420,000 | 2% | N |
| | European Project | 503-0994 | Spr 99 | 615,260 | 3% | IP* |
| | US Consumer | 503-1184 | Mar-00 | 2,600,000 | 14% | IP |
| | | | | **$4,555,260** | **23%** | |
| **#4: Impact on market readiness of industry** | | | | | | |
| | Brian Moore Tours | 100-4612 | Mar-98 | 200,000 | 1% | N |
| | Maxxim | 100-4623 | Nov-98 | 130,000 | 1% | Partial |
| | Atlantic Showcase 97 | 100-4690 | Dec-97 | 351,600 | 2% | Y |
| | Atlantic Showcase 98 | 100-4638 | Sep-98 | 360,000 | 2% | N |
| | Atlantic Showcase 99 | 503-1358 | Dec-99 | 394,000 | 2% | IP |
| | Rendezvous 99 Hfx | 503-1187 | May-99 | 266,500 | 1% | Y |
| | | | | **$1,702,100** | **9%** | |
| **# 6: Promotion of non-peak travel** | | | | | | |
| | AC Direct | 100-4601 | Fall 97 | 2,047,000 | 11% | Y |
| | US Campaign | 100-4591 | Fall 97 | 1,513,281 | 8% | Y |
| | US Marketing | 100-4634 | Nov-98 | 1,560,000 | 9% | Y |
| | US Consumer Ad. | 100-4625 | Nov-98 | 1,600,000 | 9% | Y |
| | | | | **$6,720,281** | **34%** | |
| * - In progress | Total Funding: Case Study Projects | | | **$12,977,881** | **66%** | |

Before presenting the findings, it is useful to provide a context for the results. Our initial expectation in developing the evaluation methodology was that the ACAT funded a series of discrete projects with specific objectives related to the Agreement. We expected that these projects would undertake various activities and produce measurable results. Each project was to have an associated PAF — a Project Authorization Form that described the project, including its objectives, indicators and expected results. The PAF was to include project budget information and any leveraged funding.

We did expect challenges related to attribution and the timing of impacts — these are common in developmental programs. We expected to be able to review project files and reports. Finally, we expected reports to provide details on the projects, including results linking back to the objectives as outlined in the PAF, as well as appropriate observations about the implementation process and results.

The available information fell short of our expectations for several reasons:

- Projects were sometimes initiatives that were not distinct, but part of an on-going process that may have begun under a prior Agreement. Attribution was difficult.
- Projects were process oriented — particularly with respect to campaigns. Campaign reports per se are not prepared, although overall campaign results are estimated through conversion studies.
- Reports were not available for all projects for which a PAF is prepared.
- Project reports, when they existed, were often difficult to locate, in part due to an apparent lack of ownership of the project. A lack of awareness of results was apparent as well amongst those interviewed. Changes in responsibilities and committee membership made it difficult to obtain a historical perspective on the project in some cases.
- There was a discrepancy between project budgets as reported on the PAFs and in ACTP financial reports, as noted earlier in this report.
- In several cases — detailed in the analysis in this chapter — we found that the PAF did not describe the project as it was actually implemented based on the information we obtained through reports and other documents. It appears that the PAFs are serving as "global" project authorization forms, whereby an overall project process with objectives is described, and subprojects developed that fit within this project scope. We doubt this is part of the intent of the approval process. This situation resulted in considerable inefficiencies in our efforts to determine the achievements of projects.

We believe the situation with respect to the difficulty in obtaining project reports and/or results is an important finding in itself. It is unclear to us how the Agreement's "corporate memory" can learn lessons from projects if information on the performance of projects is not known to or used by officials. The unavailability of reports suggests that results are not being use effectively in the development of subsequent projects.

As the following sections indicate, we were able to respond to the four "achievement" questions, but as a consequence of incomplete results, our ability to measure the achievements of the ACAT was mainly qualitative and fell short of our analytical expectations.

## 4.1 Issue 3 – Agreement Impact On Industry Growth

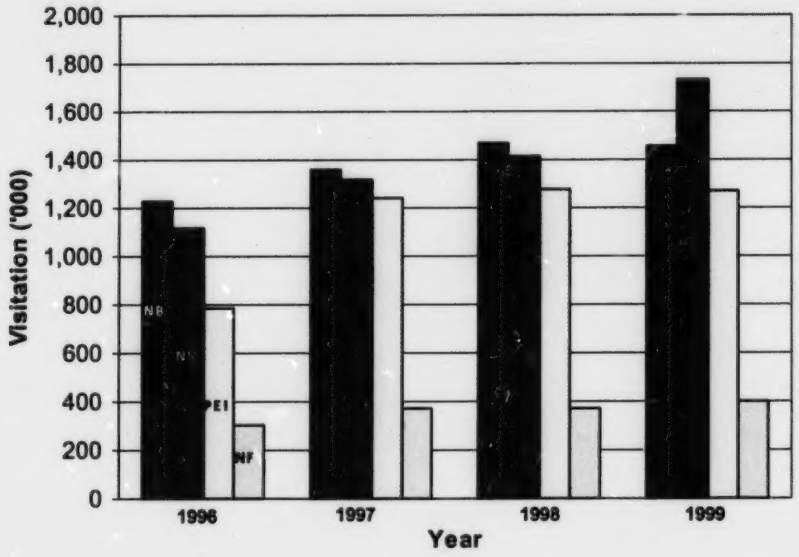
This issue asked the question "What Impact Has the Agreement Had On the Growth Of the Industry?" There were a number of supplementary questions used in exploring the issue:

- How has the industry in this province grown in the past five years? What impact has the Agreement had on the growth of the industry in this province?
- What are the major driving forces behind this growth?
- Do you have any empirical evidence to attribute any of this growth to the ACAT?
- Has the ACAT helped grow the industry?

These questions examine the expectation that the ACAT would have a positive impact on the tourism industry in Atlantic Canada. In particular, the ACAT anticipated that increased international marketing activities would increase tourism visitations. This increase in tourism activity would consequently have an impact on the industry as it worked to meet increased demand for accommodations, travel trade, food services and so on. This question does not focus on the "market-readiness" issue of industry development; this is the focus of the next issue.

Interviews, case studies and data analysis all indicate that there has been considerable growth in international tourism in the Atlantic Provinces over the last four years. The evaluation found that the Agreement has had an *incremental* impact on the development and growth of international marketing in the Atlantic Provinces. The chart below shows the increase in visitation since 1996 for the Atlantic region.

**Chart 1: International Visitation to Atlantic Canadian Provinces from 1996 to 1999**



According to the ACTP data contained in the chart, non-resident visitation to the four provinces increased by 41.5% from 1996 to 1999, inclusive, at an average annual increase of 12.3%. The annual average increase in visitation to individual provinces over the four years ranged from a low of 6.0% for New Brunswick to a high of 17.2% for Prince Edward Island. In comparison to the average annual growth rate of 4.2% for Canadian arrivals over the same four-year period, the increase of 12.3% for the Atlantic Canadian provinces is very positive.

Industry and government officials we interviewed indicated that the ACAT was not a major factor affecting the increase in visits, and consequently the growth of the industry. Interviewees credited external factors such as strong economies, good weather and the weak Canadian dollar. Nonetheless, the Atlantic Provinces outperformed the rest of Canada in the US market in each of the three years of the Agreement. Specifically[2]:

- Visitation from the US increased by 32.0% (1999 *versus* 1996), almost double the increase for the rest of Canada (increase of 17.8%);
- Visitation exceeded the growth rates for the rest of Canada for both automobile (increase of 21.9% *versus* 15.1%) and air/other (51.3% *versus* 22.5%);
- The increase in US visitation to Atlantic Canada exceeded that for the rest of Canada in all of the three years of the Agreement, averaging 9.7% annually *versus* 5.6% for the rest of Canada; and
- For US visitors, the Atlantic Provinces led Canadian growth over the past three years. Second-ranked British Columbia showed an increase in US visitation of 23.0% – almost 9 percentage points lower.

While several respondents reported that the ACAT influence on the growth of the industry was marginal at best, they may have been unaware of the extent of US visitors to Atlantic Canada relative to the rest of Canada. Further, they lacked a comprehensive assessment of ACAT program performance on which to base an assessment.

This last point raises the issue of performance measurement. It is true that conversion studies undertaken on the impact of campaigns in the US market do show positive impacts and results. But results are not available for most of the other projects. During the data and project review stage of the evaluation, we were not able to identify any significant direct causal linkages between ACAT project funding and industry growth. Moreover, industry growth was not tracked in any quantitative way by the Agreement. Industry officials indicated that the industry has grown, but were not able to quantify this growth or link it directly to the ACAT.

While interviewers generally believed that the ACAT had a marginal influence on performance, the complexity and range of variables involved make it difficult to attribute results in projects where conversion studies were not undertaken. Moreover, the conversion studies focus on an entire campaign; it is difficult to determine which element of the campaign was most effective. What is known and quantifiable is:

[2] Source: Customs entry figures for US visitors – Statistics Canada 66001

- Atlantic Canada has significantly outperformed the rest of Canada in the US market over the course of the program; and
- ACAT was a major player in the Atlantic marketing effort in the US.

There is no strong reason to suggest that ACAT programs have been any less effective than the programs of the individual provinces. In fact, the following limited, directly comparable examples from New Brunswick's experience suggest the opposite may be true:

- New Brunswick used Atlantic Canada inquiries in their 1997 Fundy-Open Skies Direct Mail program, and found the list produced a higher ROI than the US average for the campaign.
- In 1998, the Atlantic Canada list produced at a higher ROI than the Province's US program average.
- New Brunswick's ACAT-funded 1999 New England Summer program returned a higher than the US average.

The case studies related to the Japan and European projects shed some light on industry growth generated by the ACAT. We examined two projects in each location.

### 4.1.1 Japan Project

The two project components we examined focus on branding Atlantic Canada in Japan. These projects form part of an on-going market development process in Japan. It should be noted that economic conditions in Japan in the past few years have had a strong negative impact on tourism travel to Canada, including Atlantic Canada.

The Japan Project was designed to build on the success of the Branding Strategy that was completed in this market in 1996. The Branding Strategy identified those characteristics that distinguish Atlantic Canada from the rest of the country. The PAF indicated that the project was to focus on a number of initiatives including familiarization tours, trade shows, reverse marketplace activities, and production of lure materials.

These activities are not documented in the reports in we were able to review. The "report" for the first case study project is actually a planning document prepared before any project activity was completed. The discrepancy between expected and planned activities and those actually undertaken by this project is an example of the apparent "global" approval process described at the outset of this section.

The Japan Project had both short- and long-term objectives for these activities. They were:

- Promote increased awareness of Atlantic Canada among the Japan travel trade though trade development, promotion and public relations (Short-term *Process* Objective)
- Generate a minimum of $270,000 in co-op sales (Short-term Objective)
- Sell 400 Atlantic Canada tours to Japanese consumers (Long-term Objective)
- Generate $7 million annually in revenue for Atlantic Canada (Long-term Objective)

The printed reports and other information we have been able to obtain focus on a trade show approach aimed at Japanese tour operators. The material provided for this case study discusses,

among other things, the effect of newspaper ads on the Japanese public and the number of resulting reservations. The other activities are not discussed.

The Japan Project report describes two agent seminars held in Tokyo and Osaka in 1998 and 1999[3]. The report indicates the following conclusions from these seminars:

- Only half of the attendants were familiar with the name Atlantic Canada, compared to 70% last year (possibly because agents were new this year);
- More than 70% did not recognize individual province names;
- PEI is still the best known province in the region;
- Agents favoured monitoring tours to make consumers more familiar with the region; and
- Although joint operation of Atlantic Canada is not yet well-known, it is clearly advantageous.

Interviews with the CTC Japan division reported higher levels of success. The marketing campaign is "starting to work, with 19 wholesalers in Japan now marketing Atlantic Canada". A consortium of the largest travel trade wholesalers is promoting Atlantic Canada and an Atlantic Canada brand is emerging.

The Japan project concentrated on increasing awareness of Atlantic Canada and its four provinces by working with in-market operators. We have not been able to determine if the three non-awareness short-term and long-term objectives have been met; there is no indication of project monitoring or tracking of results with respect to these objectives. Interviews suggest that there has been some positive success in this area; interviewees indicate a strong growth in operator interest and participation in the campaign over the past several years.

### 4.1.2 European Project

The European project worked to improve the understanding of European perceptions and needs with respect to tourism development. The primary efforts that the two case studies for the European project examined were focus group research in the U.K. and Germany in 1998 and 1999. The research concentrated on two broad groups: potential consumers and travel trade. The latter included tour operators and travel agencies. According to the PAF, campaign activities were to include:

- UK & German infomercials;
- Direct marketing;
- UK & German fulfilment books;
- Media visits;
- Fam tours; and
- Tradeshows.

The following objectives were stated in the PAF for the 1998 European Project that consisted of focus group *qualitative* research on U.K. and German markets:

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[3] As an interesting aside, the company hired to do this research – Tourism World, Inc. – referred to the four Atlantic provinces as "states" in its report.

- Generate a return of $10.00 in visitor spending per dollar of campaign investment, and
- Attract 2,867 visitors with an average spending of $155 per day per visitor, with an average visit of nine days.

The project reports that are available for this case study do not match the project described in the 1998 PAF. The reports discuss the results of focus group sessions done with consumers, travel agents and tour operators in the UK and in Germany. The PAF, as noted above, discusses a *marketing* campaign aimed at attracting potential European tourists, with objectives that are best described as "campaign objectives". *These are not the appropriate objectives for focus group market research.* The focus groups will not directly generate any ROI or attract any visitors. The ROI objectives will only be met after the research findings are incorporated in a campaign at some future time.

The aim of the focus group sessions was to get a picture of the range of perceptions about Atlantic Canada in the minds of target consumers and their retail and tour operator suppliers. The collective impressions of these groups would help clarify a fresh approach to the markets.

The focus group research questions included:

| | |
|---|---|
| What is the overall perception of Canada as a tourism destination? | To what extent do images of the Atlantic Provinces represent an appealing tourism experience? |
| What is the awareness level of Atlantic Canada? | What is the level of price sensitivity? |
| What information sources are used? Specifically, what is the role of the travel agent, advertising and word of mouth? | What are the main barriers to taking a vacation in Atlantic Canada? |
| How should the Atlantic Provinces be identified or branded? | How important are direct air connections to the destination? |
| What does a tour operator looks for in suppliers? | |

The research findings indicate that Atlantic Canada is not widely recognized in these market areas — to the extent that participants were familiar at all with Canada it was more often with western Canada (e.g. the Rockies). However, the perception abroad of Atlantic Canada, especially in the United Kingdom, is that it is harsh, rugged and meant more for the young "out-of-doors" tourist with little to do. This view was typical among potential tourists and tourism trade people. Other results included:

- There are perceptions that there are few attractions in the region.
- There are few promotions from operators to help focus the retail trade and their clientele.
- Word of mouth was considered most effective method of spreading awareness.
- Agents are unlikely to sell the region due to lack of confidence and training.
- Tour operators were extremely positive towards the use of receptives.
- Tour operators expect DMOs to become actively involved in joint marketing plans.
- Need more brochure support.

Based on these findings, the consultants made recommendations that included:

- Need warmer slogan words.
- Emphasize "second trip" position for Atlantic Canada.
- Focus partner marketing planning and programming on working with tour operators and their receptive planners who "own" these relationships.
- Ensure a shoulder season focus with operator partners.

- Focus fam trips on the press and the staff and trade partners of Atlantic Canada's tour operator partners.
- Work aggressively with the CTC.
- Create a quarterly report from ACTP to tour operators.
- Set up a European Tourism Advisory Board.
- Develop an Internet strategy for these markets.

These overall results from the European Project case study suggest early level market research, or perhaps ongoing research to focus ACAT program activities. In any case, the two projects we reviewed concentrated more on market research than marketing, suggesting an early phase of market development.

The useful insights and results from the projects, if incorporated into future ACAT activities, should help the European Project design campaigns that meet the needs of UK and German tourists. Effective campaigns, in turn, will help ACAT projects achieve their objectives. However, there is no evidence that these focus group *research* projects achieved the objectives as stated.

### 4.1.3 US Campaigns

The ACAT contributed $13.9 million or close to 70% of its total budget to marketing campaigns in the United States. These campaigns have been underway for a number of years and supplement the work undertaken in the US by individual provinces. The campaigns focus on marketing to the travel trade and to consumers directly. Short-Haul Consumer Marketing projects focused on drawing tourist visitors to Atlantic Canada. The majority of funds were for four advertizing and marketing campaigns, typically in the $1.5-million to $2.5-million range.

Short-Haul Travel Trade Marketing projects consisted of two large promotions directed at members of the travel trade, plus a number of smaller initiatives to assist the Atlantic Canadian industry in presenting products and properties to representatives of the trade.

Chapter 2 of this report contains a description of the focus of the US campaigns and the use of conversion studies designed to measure impacts.

The number of inquiries generated by the entire 1997 US campaign increased by 39% compared to 1996, and for the 1998 campaign by 19% over 1997 levels. For 1997, it was estimated that the economic impact of the marketing strategy was $8.2 million.

Conversion research for all of the 1998 US short-haul initiatives showed that the activities generated 100,668 inquiries and that 25,732 parties visited, for a conversion rate of 26%. The advertizing cost was $1.855-million, generating a cost of $18.44 per inquiry; the cost per converted inquiry was $72.12. The visiting parties were estimated to have spent $36.2-million compared to an estimated $5.02-million cost of the initiatives. This resulted in a tourist "expenditure to project cost" ratio of approximately 7:1, or an ROI of 7.

An important observation with respect to the impacts of the US campaign relates to consistency of approach. The ACAT essentially had a different approach to the US market in each annual campaign over the three-year period. During its first year, ACAT efforts were focused on marketing initiatives

in short-haul markets in the United States — New England, Mid-Atlantic States, and seven US cities identified through air access studies. This emphasis changed to New England only in the second year and in the third year, this focus was maintained. However, the campaigns were more provincially oriented than oriented to Atlantic Canada.

### 4.1.4 Conclusions

Industry representatives noted that there was value in involvement with the ACTP project such as increasing tourism revenues and developing mutually beneficial business relationships. However, several industry interviewees voiced concerns such as lengthy delays in receiving payments and the difficulty in achieving meaningful collaborative efforts among the Atlantic provinces where often the individual needs of each province were paramount.

These comments do not mean that the provinces do not realize that they have benefited from the ACAT. Funds from this Agreement have helped to develop more sophisticated travel products that sell better in the international tourist trade and have helped increase the global awareness of Atlantic Canada as a tourism destination.

In conclusion, the effectiveness of the ACAT in helping to grow the tourism industry in Atlantic Canada is difficult to attribute; the primary measure of effectiveness was through conversion studies. The Agreement has helped the industry to think strategically and to co-operate rather than compete for each visitor. It has also helped to make industry aware that it is better to focus on a market-driven approach, rather than a product-driven approach. However, the Agreement did not directly focus on industry development as part of its mandate. This situation resulted in indirect and marginal linkages between ACAT activity and industry growth.

## 4.2 Issue 4 – Agreement Impact On Industry Market Readiness

This issue asked the question "What Impact Has the Agreement Had On the Market Readiness Of the Industry?" There were a number of supplementary questions used in exploring the issue:

- How market ready is your industry in this province, i.e. ready to respond to the needs of the tourism marketplace?
- How has the ACAT changed the market readiness of the industry?
- Is the industry in this province approaching tourism differently than it did several years ago? How?

The market readiness issue examines the role of the ACAT in strengthening and growing the capability of the Atlantic Canada tourism industry to respond to increased demand.

Measuring the impact of the ACAT on market readiness is somewhat problematic, as there are no direct measures of market readiness. The Evaluation Plan proposed key informant interviews and case studies as a methodology to obtain results on this issue. The Plan also suggested that the evaluation examine indicators such as "changes in target market activity" and "the allocation of ACAT resources relative to the size of market and problem identification".

There was a great deal of diversity in opinion on the effectiveness of the ACAT in assisting the tourism industry in becoming more market ready. Some interviews suggest that the ACTP has done too little work with major in-market packagers; other interviews suggest that the larger businesses are "up to speed", but more assistance is needed for smaller companies. Overall, it appears that, although most stakeholders agree that the intentions underlying the ACAT were good, it had limited overall effectiveness and impact on market readiness. As one official commented: "the intent is there but not the results. The ACAT may not be a good mechanism for improving market-readiness."

Contrasting perspectives on the impact of the ACAT on market readiness are provided in the following direct quotations from interviews with officials:

- "The ACAT has greatly improved the market readiness of the industry, because operators have a growing confidence in the market growth as more than a blip and are prepared to invest in quality improvement and presentation. People are getting much more involved in the marketing effort, which greatly improved [their] understanding of market dynamics."
- "The ACAT has done a terrible job. People (ACTP and the industry) have spent years saying 'to promote tourism visitors, spend dollars and they'll come.' But little thought was given as to how they'll get here and what they'll do when they arrive. Packagers are an important part of the industry, and the ACAT has done too little with major in-market packagers like Colette, Brennan Tours, Tauck Tours, Liberty Go Tours, and maybe too much with local packagers. The in-market packagers 'own' their local markets, and Atlantic Canada must use them to get access to their market base."

There is some agreement amongst interviewees that the ACAT has had an impact on the way that the industry is approaching tourism development now, in contrast to several years ago. Interviewees cited the Atlantic Showcase project and Rendezvous Canada as good examples of learning opportunities for tour operators who have gained market sophistication as a result of their participation in the events. There is anecdotal evidence of a direct linkage to industry growth in Newfoundland. According to information at our workshop with officials, the ACAT has generated improved sales and increased employment amongst outfitters in the province. Newfoundland officials credit the ACAT with direct influence on the growth of this component of the industry.

The business perspective of operators in Atlantic Canada has improved somewhat as well. However, there is no strong indication that this is attributable to ACAT initiatives. Interviewees do generally agree that industry/government co-operation has improved and this *is* attributable to the Agreement. Several government officials noted that the industry has greater confidence in government as a direct result of the ACAT; industry representatives agree. "Industry is more confident" and "more business-like". Linkages within the industry — both sectors and jurisdictions — have improved as a result of the ACAT.

The projects we examined as case studies employed several different approaches to work with the travel trade business. The case studies were:

- Wholesale Tour Operators (Brian Moores Tours and Maxxim Tours); and
- Reverse Travel Shows: Atlantic Showcase and Rendezvous Canada.

### 4.2.1 Travel Trade Wholesale Tour Operators

Funding for wholesale inbound tour operators began as the "Wholesale Tour Operator" program under the previous Agreement. Funding was provided to Brian Moore Tours (BMT) initially, and grew to encompass Maxxim Vacations as well as the Atlantic Showcase event. The focus is on the US consumer marketplace.

Tour operators apply for funding on an annual basis. The funding level for the Maxxim project was $130,000 in 1997-98; Brain Moore Tours received $100,000 towards an overall project cost of $200,000 according to the PAF for the same period. However, the PAF funding amount differs from the $175,000 contribution reported in the BMT report; we suspect BMT is reporting the final total project cost. The PAF for Maxxim is for 1997-98; the proposal and financial data are for 1999-2000.

Both projects had similar objectives. According to the PAF, the overall objective of BMT is to increase package sales for all Atlantic provinces and to assist BMT in developing a detailed marketing strategy for all Atlantic Canada products. The BMT PAF includes a series of benchmarks for the 1998 tourism year that focus on increased sales for the company, increasing bookings and passengers as well as incremental spending in the region.

Concerns expressed by the Newfoundland & Labrador Department of Tourism that the existing fulfilment for ACTP by BMT did not allow the province to realize all the benefits of the ACTP US campaign led to the expansion of the program to include Maxxim Vacations as fulfilment for the province. According to the PAF, the expectation was that the province "will be gaining a tour operator with a solid track record in both product development and sales". Objectives for the Maxxim project were more detailed and include:

- Increase Newfoundland & Labrador's share of conversion arising from the ACTP US campaign;
- Utilize knowledgeable product experts in the development of Newfoundland & Labrador FIT packages;
- Work with Maxxim Vacations towards increased package sales for all provinces in Atlantic Canada; and
- Continue to develop the "home grown" tour operator market readiness in both Newfoundland & Labrador and all Atlantic Canada.

Matching project performance with the objectives for both projects is problematic. The only report available for BMT provides information on detailed specific key activities undertaken as part of the BMT program in 1998. However, these activities are not linked to the above-mentioned expected results for 1998 nor to any other expected results. We have not been able to locate any reports for the Maxxim Vacations project prior to 1999; they do not exist from what we have been able to learn.

In response to the lack of performance data, Tourism Atlantic set up a performance monitoring system for the inbound tour operators. Project monitoring began in 1999 and required quarterly performance reports by the two operators as well as an annual report on results achieved and objectives met. The table below summarizes the yearly performance for the two operators. The 1999 reports, due in October 1999, are not yet available.

**US Travel Trade Results for 1999**

| Wholesaler Name<br>Projection of Yearly sales* | Landmark Vacations[4]<br>$2,000,000 | Maxxim Vacations<br>$750,000 (Revised) |
|---|---|---|
| *Total Number of Inquiries* | 10,268 | 5,632 |
| *Enquiry Origins* | | |
| Boston | 2,987 | 984 |
| New York (Tri-State) | 3,184 | 1,300 |
| Atlanta | 217 | 161 |
| Philadelphia | 384 | 307 |
| Chicago | 315 | 212 |
| Washington/Baltimore | 1,002 | 155 |
| Other Areas | 2,179 | 2,503 |
| Conversion Rate % (Average Annual) | 17.5% | 4% |
| *Sales Revenue to Date* | | |
| New Brunswick | 259,688 | 15,800 |
| Newfoundland & Labrador | 192,577 | 331,732 |
| Nova Scotia | 895,601 | 129,604 |
| Prince Edward Island | 316,032 | 50,829 |
| *Total Sales Revenue* | $1,671,898 | $527,965 |
| *Sales Revenue by Sector (pan-Atlantic)* | | |
| Air | 770,089 | 168,947 |
| Hotel | 501,919 | 195,346 |
| Car | 178,404 | 116,153 |
| Other | 221,486 | 47,519 |

These results indicate some progress towards overall sales targets. Although the targets were not achieved, the basis on which the targets were set is not clear. On results per ACAT dollar funded, it appears that BMT is the more effective operator, but other considerations such as experience, visibility and regional exposure may play a role here.

Results from the interviews with respect to the *Market Readiness* and *Lessons Learned* issues suggest the approach used with tour operators is not effective as a standalone approach to developing the market for tour operators, particularly in long-haul markets. Interviewees stressed the importance and value of working with in-market operators as an effective way to generate tours.

### 4.2.2 Reverse Trade Shows

Interviewees have noted reverse trade shows as some of the most successful projects undertaken by the ACAT. Both Atlantic Canada Showcase and Rendez-Vous Canada are designed to bring together international operators and buyers of tours with sellers from Atlantic Canada.

[4] BMT became Landmark Vacations in 1999.

## Atlantic Showcase

The host province/organization, in conjunction with the Atlantic Canada Tourism Industry Caucus and other Atlantic Partners, hosts an annual Atlantic Showcase. This "reverse marketplace" brings together prospective North American buyers with Atlantic sellers of tourism products. This initiative encourages buyers to actually visit the region, meet the local business people, and form business alliances.

The ACAT contribution to the Atlantic Canada Showcase varies from year to year. The following table indicates the ACAT contribution over the past three years.

| Year | ACAT Contribution | Total Budget | ACAT Percent |
|---|---|---|---|
| 1997 | $221,000 (PAF) | $351,600 | 62.9% |
| 1998 | $115,000 (Mgr. Rpt.) | $346,000 | 33.2% |
| 1999 | $120,000 (PAF) | $394,000 | 30.4% |
| Total | $456,000 | $1,091,600 | 41.8% |

Atlantic Canada Showcases started prior to 1997, but under the new agreement the ACAT became a driving force in this reverse market trade show. It has provided an expanded opportunity for Atlantic sellers to show their products and meet with potential buyers to explore changes in the marketplace. The specific industry focus is the motor coach trade. The ACAT continues to assist the tourism industry's market readiness through this initiative with a focused evaluation plan of the Showcases. This evaluation helps to monitor participants' satisfaction with the trade show and plan improvements.

The objective of the Atlantic Canada Showcase is to attract potential buyers, particularly the motor coach market, in an effort to showcase Atlantic Canada tourism products and increase the number of motor coach visitations. The expected results are listed below:

- 1997: No specific measures were noted. Objectives included creating an awareness of the region in key markets, packaging and promoting Atlantic Canada as a travel destination of choice, and generating new opportunities for sales and growth in the motorcoach business.
- 1998: Anticipated measurable results were 75 buyer companies and 120 seller companies to have registered for the Atlantic Showcase by September 30, 1998.
- 1999: Anticipated measurable results were 75 buyer companies and 140 seller companies to have registered for Atlantic Showcase '99 by September 30, 1999.

The industry sponsors considered the 1997 Showcase a success. It attracted 65 buyer companies and 164 seller companies.

Results for the 1998 Atlantic Showcase were 66 buyers and 147 sellers, against the target of 75 buyer companies and 120 seller companies. . It is worth noting that the PAF states a target of 120 sellers, but the show manager's report notes a target of 150 sellers. Based on these results, it was recommended that the media receive extra attention and a more inviting package be developed.

The Evaluation and Research Committee of the ACTP wished to develop a new baseline to evaluate the 1999 Atlantic Showcase and future showcase initiatives to provide some consistency in the research for current and future years. To this end, a two phase work plan was established consisting

of an on-site participant evaluation and follow-up telephone interviews in the spring. The report analyzed in this case study is based on the findings of the on-site evaluation and, therefore, is not directly comparable with the 1997 and 1998 reports.

For the 1999 Showcase, held in Charlottetown, PEI, satisfaction levels were generally good, though respondents saw room for improvement with respect to organizational/administrative matters, the need for more/new/qualified buyers, and the scheduling and presentation of appointments. For 1999, over half of the sellers reported that the Showcase had at least some impact on their sales volume, market visibility, future business and marketing skills. However, over half of the seller companies reported no direct sales as a result of the Showcase. A total of 52 buyer companies and 255 seller companies attended the 1999 conference.

Based on the two reports found on the Showcases for 1997, 1998 and 1999, there has been reasonably steady attendance for buyers and sellers, and the committees for each year make an effort to build on the successes of the previous year and remedy the errors.

#### Rendez-Vous Canada

Rendez-Vous Canada is Canada's premier tourism marketplace. Held annually, it is managed by the Tourism Industry Association of Canada.

The ACAT helped Atlantic Canada to participate more fully in the 1999 Rendez-Vous Canada trade show, held in Halifax. Buyer attendance was lower than expected (245 companies *versus* 800 expected companies); however seller turnout was high, giving the Atlantic Canada tourism trade a chance not only to meet with buyers but to see what the tourism industry in other parts of Canada were offering for new and innovative products.

The expected results from the event included the following:

- 800 buyer companies from around the world exposed to Atlantic Canada during the event;
- 320 seller companies from Atlantic Canada given the opportunity to market their product internationally; and
- a greater profile and awareness of Atlantic Canada with tour operators from USA, Canada, Europe, South America and Japan.

Although the ratio of buyers to sellers was not achieved, according to the post-conference survey there have been significant increases in buyer and seller satisfaction with key dimensions of the trade show over the past two years. In addition, more buyer representatives were satisfied with the variety and quality of product offered at Rendez-Vous Canada, the number of sellers for the type of products buyers are interested in, and the amount of new product than they were in 1997 or 1998 at other location. Almost all buyers and sellers plan to attend the trade show in Calgary in 2000.

### 4.2.3 Conclusions

The ACAT focused its market-readiness efforts on the tour operator component of the industry in Atlantic Canada. Our conclusion is that the ACAT has made a positive impact on the overall market-readiness of the tour operator component of the tourism industry in Atlantic Canada. There seems to

be little overall enthusiasm for the ACAT's effect on market readiness on the industry in general, but there are solid examples of its leadership role in trade shows.

In addition, ACAT projects as well as the overall existence of the Agreement have increased the participation of the tourism industry in tourism development. Interviewees noted a change in attitude and perception by both industry and governments. In particular, the ACAT has helped provincial tourism departments develop a synergy with industry; industry now sees the departments operating from a business perspective, being more attentive to the needs of industry, and playing a leadership role in developing market-readiness initiatives. This synergy has also created a more co-operative approach to tourism marketing at the provincial level.

## 4.3 Issue 5 – Lessons Learned From Previous Campaigns

This issue addresses the question "What Lessons Have Been Learned and What Results Achieved From Marketing and Development Campaigns In the UK, Germany And Japan Carried Out Under Past and Current Agreements?" The supplementary questions used in exploring the issue included:

- What were the results of these campaigns?
- How did this Agreement incorporate the results and other lessons learned from previous Agreements? Were marketing approaches changed? Were programming approaches changed? How?
- Is the industry doing anything different as a result of lessons learned from past Agreements or from this one

This issue identifies a need by ACAT stakeholders and managers for evidence that the three pan-Atlantic tourism development agreements have produced positive benefits — increased tourism impacts — in the region. This issue has an accountability focus as well as a "lessons learned" perspective. Moreover, the issue reflects an expectation that each of the three agreements has moved the tourism sector farther along the development path. It assumes that at each stage of the process, perhaps when new agreements are signed, evidence and experience from past activities will be incorporated in the new development approach.

Before responding to this issue, it is important to provide our observations related to "lessons learned". The main challenge to incorporating lessons learned is the lack of an overall strategic plan for the Agreement. There has not been any mechanism in this or past Agreements to identify explicitly the lessons learned in past or present Agreements. These are incorporated implicitly, if at all, when new programs are designed. Ongoing changes in staff and officials involved in the Agreements, however, diminish the opportunity for learning and sharing lessons learned.

A strategic plan would incorporate a Performance Framework or similar approach to measure results from the ACAT and its projects on an annual basis, and link these to the strategic intentions of the Agreement.

The ACAT placed more emphasis on process than on research, and it had difficulty incorporating the results of its research into future initiatives and activities.

Although there was no strong sense of uniform satisfaction amongst interviewees with the learning value of the ACAT, the interview results suggest that the long-haul international marketing

campaigns have helped government and industry better understand the nature of selling Atlantic Canada abroad. Examples of this understanding include:

- the need for a market-driven rather than product-driven approach;
- the necessity to use in-market partners and packagers in those markets;
- the value to consistency of approach over time;
- the value of the approach "don't use a Canadian ad agency to design a campaign for Japan"; and
- the need for better research on market demand followed by the development of a focused strategy.

As noted in the response to the market-readiness issue, the Agreement completed extensive focus group research on marketing Atlantic Canada in the United Kingdom and Germany. Results of this research indicate that this region was not widely recognized in these market areas. This research produced a number of recommendations, from changing the name of Atlantic Canada to a less "harsh" sounding term to developing *travelmercials* emphasizing the positive attributes of the region and addressing perceptual inaccuracies. We understand that these recommendations are being considered but have not been acted upon.

Many of the interviewees suggest that little has been done in these markets because of a need to develop a sound strategy. This may be indicative of a follow-through issue with the committee structure because a concrete set of recommendations was provided as part of the research.

There was a very low response rate to the question "what were the results of these campaigns?" In general, those we interviewed are not aware of past results. Consequently, this Agreement did not incorporate lessons from previous Agreements to any significant degree.

## 4.4 Issue 6 – Efforts To Promote Non-Peak Travel

This issue asks the question "What Factors Have Contributed To Agreement Efforts To Promote Non-Peak Travel?" Supplementary questions included:

- Is non-peak travel an important market opportunity in this province?
- How does this province define "non-peak travel"? How is it measured?
- What efforts ($ and projects) to promote non-peak travel have been made under this province's regular tourism programming or under the agreement?
- Has the Agreement had any impact on non-peak travel? How?

Increasing non-peak travel was a key goal of the ACAT and emphasized during the interviews, especially for some provinces where capacity during peak months is becoming an issue. However, there have been limited regional efforts in this area because each province has different needs, perspectives and definitions of seasonal markets. To the extent that there have been initiatives in this area, there is little sense that the ACAT has played a strong role or that the results are measurable.

Interviewees all agree that non-peak travel is an important market opportunity. In some market areas in the region, capacity limitation in the peak season means that off-peak visitation is the only major opportunity for growth. Moreover, there is consensus that non-peak travel has been increasing.

However, the main issue here is attributing the growth to the efforts of the ACAT. Measurement and attribution are problematic, since sample selection for conversion studies included only visitors who planned to visit before the end of August. There were no projects explicitly focusing on non-peak travel although interviewees reported it was an intrinsic part in the US Campaign. Promotions aimed at fall foliage tours in the three Maritime provinces and winter sporting activities in New Brunswick were developed with ACAT support; anecdotal evidence suggests these had a positive impact on seasonal visitation.

It is not clear whether the non-peak travel market is growing at the same or a different rate than the traditional tourism season, or which factors are affecting this growth. Interviewees identified several reasons for limited ACAT-generated success:

- There are differences in definitions and methods of measuring off-peak periods amongst all four provinces;
- Different definitions mean different interpretations, leading to difficulty in attributing results; and
- The annual shift in market focus and the lack of a consistent marketing approach in the US meant that the ACAT was never in a market long enough to measure results.

During the planning stage for the evaluation, projects undertaken though the US Campaign were identified as sources for an analysis of the impacts and efforts related to non-peak travel. Conversion studies were meant to serve as information sources on this issue. However, it is not feasible to use the results of these projects to determine non-peak travel impacts since the studies do not cover the non-peak season. There has not been any research to indicate the impacts of non-peak travel.

The lesson learned from these efforts places a strong value on a consistent marketing approach that is driven by planning. There may be a need to come to an agreement on a core non-peak travel season, although this may be limited by conditions in the industry in Newfoundland.

# 5. Cost-Effectiveness of the Agreement

This chapter deals with issues relating to the effectiveness with which the Agreement was carried out. It includes a discussion of five general issues:

- Co-ordination with the Canadian Tourism Commission;
- The strategic nature of Agreement investments;
- The effectiveness of the roles of the ACTP partners;
- The effectiveness of the Agreement's governance, management and committee structure; and
- Economies of scale.

## 5.1 Issue 7 – Working with the Canadian Tourism Commission.

This issue is characterized by the question "Has the Agreement been effectively co-ordinated with activities of the Canadian Tourism Commission (CTC)?" To explore the issue in more depth, four supplementary questions were asked of respondents:

- What was the relationship between the CTC and the ACTP?
- How was the relationship between the ACTP and the CTC co-ordinated? – between individual provinces and the CTC?
- Has the relationship changed as a result of the Agreement? How?
- What are CTC views on the strengths and weaknesses of the ACTP approach to tourism development?

### 5.1.1 What was the relationship between the CTC and the ACTP?

The CTC was an *ex officio* member of the Agreement's Management Committee. Relatively constant turnover of CTC representatives, however, led to inconsistent attendance, and respondents characterized the relationship as "not strong but getting better". While there were reports that the CTC representative "didn't understand the region", the same respondents indicated the CTC is nevertheless "very supportive".

The CTC appears to favour a regional rather than a provincial approach to tourism development. One reason, no doubt, is the relative size of the Atlantic Canadian provinces (representing less than 10% of the national population), and the CTC's desire to maximize its effectiveness in working with the provinces. On the other hand, all Atlantic Canadian provincial representatives stated they preferred direct CTC-provincial linkages.

In a functional sense, the CTC may be more important to ACTP interests in long-haul markets than in New England or other US markets, in that CTC maintains representatives in some long-haul market areas and is in a good position to advise those interested in the markets. With respect to ACTP interests in Japan, for example, the Japan committee (on which the CTC sits) works with two CTC representatives – one in Ottawa and one in Japan who is Japanese. This effectively provides an ACTP "presence" in Japan for providing fresh, updated market information and feedback regarding ACTP initiatives – a link that Atlantic Canadian provinces would not have (could not afford) without CTC involvement.

### 5.1.2 How was the relationship between the ACTP and the CTC co-ordinated? – between individual provinces and the CTC?

The relationship was co-ordinated through the CTC's seat on the Agreement's Management Committee and through representation on relevant committees. While individual provinces would like individual relationships with the CTC, it was reported that the CTC prefers to work with the provinces on a regional basis. This is not to imply that relations between CTC and any of the Atlantic Canadian provinces are bad – in fact, they are very good, but the CTC has insufficient resources to deal directly with individual provinces in a strongly meaningful way.

There were reportedly some communication problems between the CTC and Tourism Atlantic regarding the respective mandates of the groups. Initial CTC perceptions that Tourism Atlantic might have a mandate in Atlantic Canada that would obviate CTC activities in the region were seen not to be issues. Nevertheless, some respondents reported that the CTC appears confused about approaching individual provinces or Tourism Atlantic.

### 5.1.3 Has the relationship changed as a result of the Agreement? How?

The relationship has been "up and down" over the past few years, and the CTC reports that the level of interest and commitment has varied by province. The degree of interaction between CTC and ACTP representatives appears to depend on the commitment and interest of the Chair of the ACTP/ACAT Japan committee – during the ACAT period it was quite high.

CTC sources report that the existence of the ACTP hasn't changed the relationships between the Commission and individual Atlantic Canadian provinces, but that, if the provinces want to work with Japan, for example, for practical reasons it has to be done on a regional basis. For joint projects with the CTC, partners have to participate financially. The Agreement mechanism whereby the four provinces and ACOA contribute to initiatives is ideal for CTC purposes in joint funding of projects.

### 5.1.4 What are CTC views on the strengths and weaknesses of the ACTP approach to tourism development?

The CTC appreciated the ACTP recognition that a partnership approach is important in marketing to Japan. In this regard, it was stated categorically that the Commission could not have provided as much support to these efforts if it had to be approached on a province-by-province basis. The importance of Atlantic Canada working together as a region in tourism development was reiterated often.

The CTC appears quite pleased with results from joint marketing efforts in Japan, indicating that by the end of the Agreement there were 19 wholesalers in Japan marketing Atlantic Canada, and that an Atlantic Canadian brand is emerging in Japan.

## 5.2 Issue 8 – The Strategic Nature of Agreement Efforts

This issue is expressed in the questions "Have Agreement investments been strategic (i.e. identified and acted on the best opportunities for growth)? How has the research, including Conversion Studies, been used in planning? Does the Agreement continue to respond to industry and government needs?"

To explore the issue in more depth, supplementary questions were asked:

- How was the need for research identified?
- How were market trends and opportunities identified and acted upon?
- Was the research from this and past agreements used in planning? Was it used in the project selection and approval process? Did the research undertaken provide guidance on markets in which the ACTP should be active?
- How would you rate ACTP's a) use of research, b) availability of research, and c) quality of research as compared to what you are accustomed to working with in your own organization?
- What were the barriers to using the research, and how can they be addressed?

### 5.2.1 How was the need for research identified?

The need for research was identified principally from provincial tourism strategies, although most respondents indicated not much research was undertaken within the Agreement. A total of roughly $741,500 was expended on research. The projects were generally of limited size, with an average cost over 14 projects of roughly $50,000 each. They included development of strategies for dealing with the travel trade, product/market match studies, research into the differences between Statistics Canada and provincial survey results, conversion studies of ACAT projects, and other analysis.

Research initiatives were not based on a strategic research plan, but on either the need to evaluate the Agreement or its initiatives, or requests of functional committees. The role of the Evaluation and Research Committee (ERC) was not well-developed according to some respondents, partly because the committee was separate from the various committees carrying out Agreement projects. Complaints about the length of time required to carry out research projects were mentioned, in the context that by the time a required research finding was evident, it would be too late to act upon it. This complaint was not generally directed at the ERC, but more at the simple fact that most research takes time.

It was reported by some that communications between functional committees and the ERC was not as good as it could have been. It is considered likely that more relevant research would have been undertaken and acted upon if the research capabilities had been more closely linked to the functional committees. While research activities were reportedly not well-synchronized with Agreement projects and not based on strategic needs, however, by the end of the Agreement communication had been improved substantially.

It was pointed out by the Chair of one of the functional committees that the committees bore a fair degree of responsibility for poor communication with the ERC by not providing good research direction. It appeared that many in functional committees did not place a high value on research.

### 5.2.2 How were market trends and opportunities identified and acted upon?

Market trends and opportunities tended to be based on either provincial research or on personal opinion and observation. Many marketing professionals operate on the basis of internal "models" of trend identification and campaign design, and it is necessary to accept this approach as a valid one.

Nevertheless, some respondents were concerned with "whim of the day" research. One would have preferred to carry out more market research in new areas rather than undertake evaluative ROI studies, for example.

One respondent asked "Who's leading here – marketing or research?" and then went on to state "We're carrying out more enforcement type research (evaluative) rather than looking for new opportunities". Of course, in the absence of an overall strategic plan and in the face of consistently changing campaigns and marketing emphases reported by some respondents, it would be difficult to design appropriate market research initiatives.

### 5.2.3 Was the research from this and past agreements used in planning? Was it used in the project selection and approval process? Did the research undertaken provide guidance on markets in which the ACTP should be active?

In general, respondents answered "Yes" to the first two questions. Examples of research used in new project selection included conversion studies, advertisement tests, focus groups, and work to determine the "best" media buys. Research findings included information on the perception of branding (for example, "Canada's East Coast" is better than "Atlantic Canada" in some markets), on the degree to which visitors have become rather sophisticated global village travellers, and about how images and icons of the region are perceived.

There were concerns, however, that research results were frequently too late to be incorporated in forward planning. The "timeliness" comments related mainly to research on European issues; US-related research was more timely. There were also concerns about the amount of work required to undertake research, and the fact that most of it was carried out by officials who were already fully-committed to their regular workload.

With respect to the third question there was recognition that, when a project is designed, the specific research needs should be identified and linked to the project objectives and the committee responsible for the project. But respondents generally indicated little guidance in market activities was provided by research carried out under the Agreement. There appeared to be more reliance on CTC research and on provincial research than on Agreement research.

### 5.2.4 How would you rate ACTP's a) use of research, b) availability of research, and c) quality of research as compared to what you are accustomed to working with in your own organization?

Responses to this question ranged from "poor" to all three questions to "OK" for all three. In general, respondents felt that provincial research was better in terms of use and availability, but the question implies an equality of research capabilities across the four partner provinces. They are not equal in their research capabilities.

The challenge appears to be in co-ordinating research undertaken by the provinces – particularly in simple areas like standardizing methodologies and reporting frameworks so that comparisons can be made between the provinces and aggregation of provincial results to the Atlantic Canadian level make sense. Currently, the provinces are inconsistent in definition of market areas, in the time period

over which statistics are collected and reported, in the type of traveller that is counted (overnights *versus* same-day travellers), and in the information which is reported. As well, there are differences between provincial figures and those published by the International Travel Survey.

### 5.2.5 What were the barriers to using the research, and how can they be addressed?

Barriers identified included communication issues between the functional committees and the ERC, a perception that a given research initiative could take too long for it to be of much use in planning, and a lack of research capabilities directly linked to the functional committees. The feeling that a given research initiative might "take too long" was as likely due to the way in which the research function was separated from the functional committees as it was to the actual time required for the research activities. A fourth barrier was the sense that if a research finding were inconsistent with committee members' "gut feel", a way would be found to not use the research result.

With respect to the first three barriers, solutions to address them included housing research capabilities within functional committees, and devising a rapid-response or just-in-time approach to evaluative research, where results could be available in perhaps eight weeks rather than 20 to 25 weeks. No solution to addressing the "gut feel" issue was suggested, although it would seem that one or two success stories would be instrumental in defusing the issue.

## 5.3 Issue 9 – Roles of ACTP Partners

This issue is characterized by the question "Are the roles of the ACTP partners effective and appropriate in management and delivery of the Agreement?"

The supplementary questions defining the issue were as follows:

- What were the roles of the industry partners? of the provincial partners? of ACOA, represented by Tourism Atlantic? Did any of these roles change over the Agreement? Who was ultimately responsible for project planning, delivery, and management?
- What were the roles of the secretariat? Is there a need for a secretariat function?
- What other mechanisms or approaches could be considered to improve the effectiveness of the current system, including administration and delivery?
- What kinds of resources are required for an effective "secretariat" role? Should these resources be the same in a new Agreement?

The latter two supplementary questions are addressed in the following section of the report dealing with the Agreement's management, governance, and committee structure.

### 5.3.1 What were the roles of the industry partners? of the provincial partners? of ACOA, represented by Tourism Atlantic? Did any of these roles change over the Agreement? Who was ultimately responsible for project planning, delivery, and management?

The ACTP Partners included the four Atlantic Provinces as represented by their respective provincial governments and tourism industry associations, and the Federal Government as represented by the Atlantic Canada Opportunities Agency (ACOA) and its tourism development arm, Tourism Atlantic.

Under the terms of the Agreement, the partners were jointly responsible for:

- The design, development, and implementation of a joint tourism development program that levers the resources and reflects the consensus support of all Partners to the Agreement; and
- Funding initiatives sponsored within the context of the Agreement.

As is characteristic of all partnerships, each partner was individually responsible for ensuring that the ACTP program and related initiatives reflect the tourism (industry) development needs and priorities of their respective jurisdictions:

**Provincial Governments:**

To ensure that ACTP programs / initiatives (and by extension provincial investments in ACTP) were appropriate within the context of their respective provincial tourism strategies.

**Industry Associations:**

To ensure that ACTP programs / initiatives (and by extension industry's contributions to ACTP) were consistent with the development needs, given the current status of industry readiness within their respective jurisdictions.

**Federal Government:**

To ensure that ACTP programs / initiatives (and by extension federal investments in ACTP) were consistent with its regional development strategy.

Finally, under the terms of the Agreement, the partners are also jointly responsible for managing and implementing individual program/project components under the Agreement. In practice, the government partners have assumed lead roles in these functional areas, and, in many cases, have assigned significant resources to support ACTP initiatives.

In fulfilling their roles, the Partners participated at every level of the Agreement structure including:

**Management Committee:**

The governing committee responsible for overall direction and strategy.

**Tourism Programs Committee:**

A committee charged with functional responsibility for advising the Management Committee with respect to strategy and for coordinating and monitoring program implementation.

**Evaluation and Research Committee:**

A committee charged with responsibility for co-ordinating and overseeing all evaluative and planning research carried out under the Agreement

**Program Committees:**

Committees reporting through the TPC with operational responsibility for developing and implementing individual initiatives in each program area.

**Program Subcommittees:**

Sub-committees to the Program Committees struck when necessary to develop or research a proposed project, reporting to the relevant Program Committee.

The appropriateness of these roles is largely a function of the degree to which they are consistent with the fundamental principle of equality as required under the Agreement, and the related requirement that the implementation strategy shall enjoy the consensus support of all Partners to the Agreement.

The roles, as defined and structured, clearly reflected this principle and therefore were appropriate within the context of the Agreement. The Partners shared joint responsibility for establishing the strategic direction of the Agreement; they were fully and equally represented at each level of the decision-making structure; and a consensus decision-making model was employed under which the consent of all Partners was a prerequisite for approval.

Respondents reported, however, that in practice the roles evolved to reflect significant distinctions in terms of the relative status of the partners, particularly at the decision-making level of the Agreement (Management Committee) where:

- The provincial governments were the primary decision-makers with respect to strategy and project approval in principle[5].
- Some industry associations saw themselves as advisors rather than decision-makers with respect to strategy and project approval.[6]
- The federal government was the key funding agent which carried out due-diligence checking on expenditures, and by extension, the final authority with respect to funding for individual initiatives.

This practical application of the roles was inconsistent with the intent of the Agreement. It tended to create a dynamic within which industry participation was limited and where the federal government served as a support (funding agency) to provincially negotiated initiatives rather than as a full partner to an interjurisdictional agreement.

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[5] Particularly when Tourism Atlantic voluntarily withdrew from participation in decision-making in the Tourism Program Committee in order to provide more implementation-oriented services.

[6] This perception was noted explicitly by the majority of industry representatives who were interviewed. It was not necessarily considered a negative implication, as some players, particularly smaller operators, had to focus on their own businesses rather than participate significantly in ACAT affairs. In one case, however, it resulted in a violation of the consensus approach.

These dynamics have implications for the effectiveness with which the Agreement was undertaken. The impact is most clearly reflected in inconsistency with respect to the implementation strategy and approach, (both of which were subject to renegotiation over the course of the Agreement).[7] This, in turn, created challenges in terms of ACTP's capacity to establish a framework under which individual initiatives form part of a broader, comprehensive strategy to pursue objectives in incremental markets.

The implications of this issue were exacerbated by the incremental nature of the current planning process. The process focused on the development and approval of individual projects. As a result, the focus of Management Committee was less the development of a strategic framework and comprehensive implementation plan, and more the consideration and approval of individual projects.

Like many Partners to the Agreement, Tourism Atlantic wore several hats, not all of them directly related to ACTP. Tourism Atlantic was established in 1998 to provide a venue for ACOA tourism development initiatives. Since that time, it played two distinct roles with respect to ACTP:

- As ACOA's primary representative to the Agreement responsible for representing the regional development interests of the Federal Government as they pertain to ACTP; and
- As a provider of "implementation services" to the Agreement.[8]

The effectiveness of its role as ACOA's representative was challenged by some respondents due to a general lack of clarity with respect to Tourism Atlantic's broader mandate and its implications for ACOA's position on the direction of ACTP programs and initiatives.[9] In effect, there was a sense among some other partners that Tourism Atlantic was levering ACTP as a means to pursue a separate agenda and, as a result, its role as a partner was controversial. Among the examples cited were:

- The encouragement of the Atlantic Canada brand in short-haul markets which was perceived by the provinces to be counter-productive to their efforts to build on their individual brand equity;
- The promotion of projects with a high expected ROI rather than those more developmental in nature; and
- The Technology Program Committee mandate, described as being inconsistent with initiatives previously undertaken or currently underway in individual provinces.

It is important to note, however, that there was wide-spread support for Tourism Atlantic's role and success in providing implementation support to the Agreement in 1998, and as provincial partners came to understand Tourism Atlantic's interests, the degree of discomfort lessened and all partners focused more on substantive issues.

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[7] The major refocusing initiative was a visioning session in the Spring of 1998 to establish a basis under which its implementation could best go forward.

[8] Tourism Atlantic abstained from the decision-making process in the Tourism Programs Committee in 1998 and assumed an implementation support role. It has since withdrawn this support in order to participate more fully in the decision-making process, although it retains considerable expertise in tourism development issues and has indicated a willingness to "help out".

[9] Representatives from all four provincial governments and industry associations reported a lack of clarity with respect to the role of Tourism Atlantic. Many made a tacit distinction between ACOA as a full Partner to the Agreement and Tourism Atlantic as a distinct tourism product development initiative undertaken under the auspices of ACOA.

### 5.3.2 What were the roles of the secretariat? Is there a need for a secretariat function?

The Secretariat was established as an administrative support function under the terms of the Agreement dated 1997. It provides administrative support to the Committees and is responsible for coordinating ACTP meeting schedules, taking and distributing minutes, and providing limited follow-up services. A more complete listing of its responsibilities is presented in Appendix F.

In terms of the manner in which the secretariat functioned during the Agreement, respondents' opinions ranged from "it was a disaster" to "it functioned very well". The majority of those offering an opinion felt the performance was acceptable; there were few who sounded the secretariat's praises.

Interviewees were unanimous in their support for the need for a Secretariat function that includes logistical co-ordination and administrative support. However, many noted their concern with respect to the need for a permanent resource to champion and implement the Agreement. They felt there was too much volunteerism for an $18-million program, where "everybody has another priority job which commands first call on their time". The concerns related to three issues:

- that the role of the Secretariat did not include responsibility for an "executive" or "operational management" function and therefore the effectiveness of the role was limited;
- what they described as a conflict of interest inherent in having a partner to the Agreement serve in the capacity of secretariat; and
- that it is human nature to be less demanding on a partner when evaluating performance, and more demanding of better service if the function were performed by a commercial organization.

With respect to the first issue, the Secretariat appeared to have become a lightning rod for what was generally perceived to be a lack of professional implementation (management) support for the Agreement, even though it was *not* the secretariat's job to implement projects. The implementation role fell to committee members whose capacity to focus on ACTP was subject to the Agreement's relative priority within the context of their full time positions with individual partner organizations. Effectively, ACTP was not perceived to be anyone's first priority, and as a result, there was a lack of focus and direction.

The issue was often raised in relation to the Secretariat simply because the Secretariat was the only funded support structure that had been established within the context of the Agreement. Nevertheless, there was a general expectation that the Secretariat function should include general management responsibilities.

With respect to the second issue, and given the scope of the role of the Secretariat, the fact that the service was provided by a Partner organization may be perceived as a conflict of interest largely from a procurement perspective:

- The fact that a Partner is paid a fee for the provision of support services may be perceived as an indication of an unfair procurement process. In this case, the Partner would be perceived to have enjoyed an unfair advantage over other potential service providers and to have been selected as a result of its relationship to the Agreement rather than as a result of its

experience and expertise in the provision of the service required. (In the case of the ACAT, provision of secretariat services by TIAPEI did not represent unfair competition because TIAPEI took on the contract only after it had been offered to other industry organizations who had indicated they were not interested.)

- A service provider is in the position to obtain information that may establish an unfair advantage in future procurement processes or to influence decisions with respect to the nature and substance of future contracts from which it may benefit. (This was not an issue in the evaluation of the ACAT, but could become one in future agreements.)

In the event that the role were expanded to include the executive/professional management function, the issue of conflict of interest in having a partner provide the service would have broader implications in terms of the credibility of the function.

With respect to the third issue, that ACTP members are likely to be less demanding of a partner performing secretariat services, some respondents pointed out that this drawback might be somewhat balanced by two perceived benefits to a partner performing the function:

- A partner is much more aware than an outside agency of key issues and personalities, effective ways of approaching sensitive subjects, and in general practising the *art of the possible*; and
- A partner is likely to be significantly less expensive than a commercial service.

A comprehensive executive function would include the development and provision of strategic, policy and programming advice and for comprehensive financial and operational management of the Agreement. In this case, assigning the role to a partner, whose participation in the Agreement is a function of its own organizational agenda, would have serious implications in terms of the credibility of the advice and ultimately the effectiveness of the role.

## 5.4 Issue 10 – Governance, Management, and Structure

This issue in question form was "How does the Agreement's governance, management, and committee structure support the objectives of the Agreement? What improvements have been made in co-ordinating government/industry activities and resources region-wide?"

Supplementary questions used in the interview process included:

- Has the Agreement improved co-operation and co-ordination between governments and between government and industry on a regional basis?
- How did the project approval take place? What were its strengths and weaknesses? Who was ultimately accountable for the ACTP in terms of governance and management?

From a governance/management perspective, the effectiveness of the structure was a function of the degree to which it provided appropriate venues and resources to support the key functions related to the ACTP:

> **Governance:** The provision of strategic direction and a policy framework for decision-making at the management and operational levels.

**Management:** The organization and management of appropriate resources to support the policy/planning development process and the implementation of the Agreement.

**Operations:** The implementation of individual programs/initiatives and related delivery of results.

### 5.4.1 Structure

The ACTP governance and management structure were set out in the Agreement dated July, 1997, in the "Policy and Operating Guidelines for the ACTP" prepared early in the life of the Agreement, and in the "Terms of Reference" for the ACTP Tourism Programs Committee (TPC).

The ACTP governance and management structure included four levels:

- **Management Committee:** included senior representatives from each of the Partner organizations and was the governing committee responsible for the overall implementation strategy and administration of the Agreement.
- **TPC (Tourism Programs Committee):** a committee with functional responsibility for advising the Management Committee and for co-ordinating and monitoring activities carried out under the Agreement.
- **ERC (Evaluation and Research Committee):** a committee with responsibility for co-ordinating and overseeing all evaluative and planning research carried out under the Agreement.
- **Program Committees:** committees with operational responsibility for advising the TPC and implementing individual programs carried out under the Agreement.
- **Program Sub-Committees:** sub-committees with operational responsibility for advising the Program Committees and implementing individual initiatives carried out under the Agreement.

Two fundamental characteristics were reflected in the membership at each committee level:

1. Equal representation of all Partners; and
2. Representation of appropriate level and functional expertise, given the role of the committee.

An independent, separately resourced Secretariat provided administrative support to the Committees and was responsible for co-ordinating ACTP meeting schedules, taking and distributing minutes, and providing limited follow-up services.

The structure was designed to reflect the co-operative nature of the Agreement it existed to support. From this perspective, the structure facilitated the ongoing interaction of the Partners, it enabled learning at all levels of the Agreement, and it provided a forum for the co-ordination of joint initiatives as required by the Agreement.

Interviewees throughout the partnership saw merit in the existing structure, but raised issues with respect to the need for:

- A more consistent and comprehensive strategy and implementation plan to provide a framework for decision-making and action at the operational level of the Agreement;
- A more streamlined decision-making process to improve focus and timeliness; and
- A dedicated management and support structure to support the research, planning, and project implementation functions.

### 5.4.2 Planning

Under the Agreement, an incremental planning process was employed under which individual projects were evaluated and approved within the context of the objectives of the broad Agreement but in the absence of a comprehensive strategy and implementation plan. Under the process, all project decisions were subject to a decision-making / approval process that required consensus support within at least three of the four levels of the Agreement structure.

The process led to a situation where there was no clear or focused framework for decision-making with respect to the appropriateness of the individual projects and their collective implications for the success of the Agreement. Also, there was no mechanism (overall strategy/plan) to ensure that the projects that were undertaken within the context of the Agreement reflected a consistent market focus, strategy or approach.

The impact of this issue was significant. It effectively served to focus the planning and development process on short-term issues and initiatives and did not address the long-term requirements of market development in incremental market areas.

Interviewees reported that the Agreement was characterized by a lack of consistency characteristic of this approach. The introduction of a comprehensive strategic planning framework would address these issues.

### 5.4.3 Decision-Making

The planning issues discussed above are particularly significant given the decision-making model employed under the Agreement. Under the model, there was no distinction made with respect to decision-making responsibility at various levels of the structure.

In other words, the model required that projects receive consensus approval within at least three of the four levels of the structure, where each level was structured to mirror the partnership / representational model in place at Management Committee. Essentially, every project had to be approved by upwards of 20 to 30 separate people. This decision-making process tended to be iterative, duplicative, and time-consuming.

There was no overall strategy to guide decision-making at each level. As a result, there was no clear distinction with respect to the focus of the decisions required or the criteria that should be applied at different levels.

In a strategic planning model this process would be rationalized. For example, instead of the Management Committee making separate decisions on every project undertaken as did each of the other Committees, under a strategic planning model Management (Governance) Committee would

set the direction (goals and strategy) and approve one broad implementation plan that included all of the initiatives to be undertaken over the course of the Agreement. The decision-making function of the Committee would subsequently focus on decisions required to adjust the plan to reflect new and emerging issues impacting on the overall objectives and strategy.

Committees at all levels in the ACAT were structured to mirror the interjurisdictional / representational model in place at Management Committee, and as a result issues tended to be renegotiated on a regular basis as they moved through the Committee structure. In a strategic planning model, this structure would be refocused to ensure that any sub-committees would function in an advisory capacity.

### 5.4.4 Management and Support Structure

For purposes of this section "management" refers to organization and management of appropriate resources to support the policy / planning development process and, ultimately, the implementation of the Agreement. "Support" refers to the appropriate resources to support the policy / planning development process and, ultimately, the implementation of the Agreement, including the functions undertaken by the secretariat.

Interviews with representatives from each partner group in the Agreement reported a concern that there was no resource mechanism in place to provide for the operational management / implementation of the Agreement.

With the exception of the Secretariat, with responsibilities for administrative support, minute taking, logistics co-ordination, and financial reporting and follow-up, there were no dedicated resources available to *manage the operations* of the Agreement. Rather, the management and support roles were shared between the ACTP committees. The Committees were resourced (on a representational basis) by staff from the various jurisdictions on a part-time basis. The Committees faced significant resource availability and co-ordination / logistic challenges with implications for both time and cost resulting from the need to work through interjurisdictional issues at an operational rather than a management level.

This led to ACTP competing for resources within each partner group to undertake the work, but within each partner group the priorities would clearly favour the given partner's immediate requirements. Work on ACTP issues was frequently done when there was time, or on individual officer's own time.

As a result, the management support structure was fragmented to the degree that there was no clear ownership or accountability for the related workload (that is, there was no ownership for ACTP as a priority).

ACTP was an $18 million dollar initiative under which more than 50 separate projects were initiated over a three year period. The workload associated with the operations and implementation of such an Agreement are significant, particularly if there is a desire to provide for a consistent focus. The Agreement model reflected significant challenges in terms of efficiency, as well as posing a significant risk to the extent that it did not provide a venue to establish the ACTP workload as a priority.

In a strategic planning model, the management and support structure would be established as the operational priority of a centralized, dedicated team of resources responsible for supporting the Management Committee's planning process and implementing the plan.

This approach might be interpreted as requiring significant increases in administrative expenditures. However, it is important to consider that "increases" associated with shifting the structure in this way are often less real than perceived. For example, the budget showed a secretariat "cost" of about $700,000 over the three year period – representing about 3.5% of the overall budget. But this did not reflect the *real* cost of implementation under the ACAT structure, where partner salaries and travel expenses associated with implementing Agreement projects were not accounted for. Were these costs to be included in the Agreement's budget, the administrative and implementation management costs would be dramatically higher.

It may be instructive to compare ACTP costs with those for other, somewhat similar agencies. The Canadian International Development Agency (CIDA), for example, regularly undertakes three- to five-year projects with overall budgets in the range of $10-million to $30-million. To carry out the projects, CIDA hires executing agencies with specific mandates in terms of inputs, outcomes, expected results, success indicators, required reports, and similar project parameters. The cost of the management portion under this approach is typically in the range of 10% to 20% of the overall budget. A cost of 15% is usually considered reasonable.

## 5.5 Issue 11 – Economies of Scale

This issue deals with the general question "Has the Agreement been effective in achieving economies of scale in research, marketing, and other relevant initiatives?"

Supplementary questions included:

- Has the ACAT achieved economies of scale? What are some actual examples where the ACAT has been effective in generating economies of scale and other savings?

### 5.5.1 Has the ACAT achieved economies of scale? What are some actual examples where the ACAT has been effective in generating economies of scale and other savings?

Almost all respondents felt that there were distinct economies of scale in ACAT activities. They spoke broadly of media buying power, jointly-held trade shows (particularly in long-haul markets like Europe and Japan), and increased research efforts due to joint funding.

An example of increased media buying power was advertisements in the Boston Globe purchased jointly, where all four provinces ran two-page ads under a two-page umbrella Atlantic Canada. Most interviewees felt this was effective, as the price reduction for the joint approach was dramatic. An industry representative pointed out, however, that a similar kind of joint purchase could be arranged outside the ACAT. (It is considered likely that the comment was made in the context of usual practice in industry, and that for four provinces and four industry associations to arrange such an approach would represent a huge effort – one probably greater than the effort associated with being an ACTP partner).

One factor raised by some respondents related to the high cost of achieving the economies of scale in media buys, however. Concerns were expressed that the number of meetings to arrange the campaigns were excessive, and that any savings in media costs were probably lost in associated costs of meetings in terms of personnel time and travel expenses.

Examples of economies of scale in trade shows and promotions included both "local" initiatives (Atlantic Canada Showcase, Rendez-Vous Canada, hosting open-house events on the CAT ferry in Boston and similar ventures), as well as shows in long-haul destinations. In the case of the Japanese market, for example, the 1998 campaign cost was approximately $770,000. When contributions from Halifax, Nova Scotia, the CTC, and the travel trade are accounted for, the actual cost to the ACAT was only $300,000.

Examples cited of economies of scale in research activities included a number of very expensive computer runs of the International Travel Survey operated by Statistic Canada (runs that otherwise could not have been financed), plus market strategy studies.

The answer to the question "Has the Agreement been effective in achieving economies of scale?" is almost certainly "Yes". It is clear, however, that the economies would have been even greater had the management structure of the Agreement not required such a large number of meetings and the associated travel costs.

# 6. Conclusions and Recommendations

Our recommendations are presented under two categories:

**Governance** – recommendations relating to strategic direction and decision-making; and

**Management** – recommendations dealing with the organization and management of resources to support the policy and planning process, and the implementation of projects.

## 6.1 Governance

We present four recommendations on governance issues in the areas of:

- Strategic planning;
- Annual planning;
- Incorporating research in project design; and
- Streamlining decision-making.

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| ***Recommendation 1*** | Adopt a strategic plan to establish the implementation framework and to specify planned interventions and expected results for specific kinds of projects in specific market areas. |

The ACAT issued a strategy paper in July 1997 that identified strategic principles, presented an Atlantic Canadian SWOT analysis (strengths, weaknesses, opportunities, and threats), and outlined a loosely-defined action plan. The paper did not, however, contain a specific strategy in terms of the expected number of different project types and sizes, market areas, expected results, or other indicators.

A strategic plan for the partnership for targeted consumer markets in the New England and Mid-Atlantic regions of the United States, for the travel trade, and for overseas markets should be based on the strategic plans of individual partners. . It should serve as high-level, multi-year strategy that outlines anticipated projects in specific target markets and that specifies expected results in terms of measurable indicators. Such a plan would promote clarity of vision and design, and would eliminate the ad hoc approaches to project design prevalent in the ACAT.

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| ***Recommendation 2*** | Use an annual planning approach to adapt to changing conditions or benefit from lessons learned. |

A multi-year implementation plan (See *Recommendation 1*) should be updated annually through preparation of an annual plan derived from the strategic plan. (As environmental conditions change, or as lessons are learned that would impact future project design, the projects can be suitably modified in each year's annual plan.)

The annual plans would include more detail than the strategic plan – specific project implementation details, human and financial resourcing, schedules, leverage linkages with industry, the CTC, and other partners, expected results and relevant verifiable indicators to measure them, and similar project details. The annual plan would also establish a basis for tracking results.

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| ***Recommendation 3*** | Incorporate a strong research focus linked to implementation of projects. |

Separation of the research function from the committees tasked with designing and implementing projects in the ACAT was probably a mistake. The approach led to communication problems, a sense that there was "no time for lengthy research exercises", and a relatively small amount of both market and evaluative research being undertaken. This made it difficult to incorporate lessons learned from previous research into project design. While this situation lasted only a year or two, in the context of a three-year agreement it might as well have been for the agreement's duration.

Regular use of research and evaluation as management tools, tied in to an annual planning process, would help ensure that project design is research-driven and that lessons learned are incorporated quickly. Tying research in with the body responsible for project implementation rather than treating it as an "outside function" would also assist in promoting a research-driven approach.

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| ***Recommendation 4*** | Establish a more streamlined model with fewer committees that focuses responsibility and authority for decision-making at the appropriate level. |

There were three, and sometimes four, levels of committees under the ACAT:

- the Management Committee was at one level;
- the Tourism Programs and the Evaluation and Research Committees were at a second level;
- three functional committees (US Travel Trade, Japan, and Europe), the Editorial Committee, and the Technical Competitiveness Committee at a third level; and
- a fourth level included various subcommittees struck by the functional committees as the need was felt.

The decision-making model employed under the Agreement required that projects received consensus approval within at least the top three of the four levels of the structure, where each level was structured to mirror the partnership model in place at Management Committee. Essentially, every project had to be approved by upwards of 20 to 30 separate people, a process that tended to be iterative, duplicative, and time-consuming.

The committees faced significant resource availability and co-ordination challenges with both time and cost implications, and issues tended to be renegotiated on a regular basis as they moved through the Committee structure. The requirement for consensus occasionally resulted in the design of projects being compromised for the sake of acceptance.

The number of committees should be reduced. With respect to governance issues committees other than the Management Committee should function in an advisory capacity only. With respect to implementation issues, committees other than the Management Committee should be the implementers.

## 6.2 Management

We present six recommendations on management issues in the areas of:

- Management models;
- Implementation assistance;
- Management reporting;
- Project design specificity;
- Statistical consistency; and
- Regional branding.

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| ***Recommendation 5*** | Determine the "best" management model and ensure its establishment is transparent. |

The management model used in the ACAT was a Management Committee (corporate equivalent – a Board of Directors) which accepted advice from a Tourism Programs Committee (corporate equivalent – Vice Presidents or Heads of Departments) to which reported various functional committees charged with project design and implementation (corporate equivalent – departmental functionaries). A separate Secretariat provided administrative support to all committees.

There were no dedicated resources available to implement the Agreement. The management and support roles were shared between the ACTP committees that were staffed by the partner groups. The management support structure was fragmented to the degree that there was no clear ownership or accountability for the related workload (that is, there was no ownership for ACTP as a priority).

An alternate model would see ACTP establishing a not-for-profit corporation that would be directed by a Management Committee and advised by a functional committee. The corporation would be owned by the ACTP partners, and would support the planning process and manage implementation of the Agreement.

One option would see establishment of an Executive Director position to ensure that the agreement was "owned" by a person or organization. Under the ACAT, no one entity was fully accountable for the Agreement. Such a position, on either a full-time or part-time basis, could be accommodated within either a secretariat or a corporate management model.

Regardless of which model is used – the secretariat or the corporate – the selection process of the body providing the secretariat services or the personnel hired by the corporation should be seen to be transparent. In the case of the secretariat model, a request for proposals should be issued to interested suppliers, including industry associations and commercial companies.

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| ***Recommendation 6*** | Provide dedicated resources for project implementation. |

Under the ACAT, there was no resource mechanism in place to provide for assistance in implementation of the Agreement. While the Secretariat had responsibility for administrative support, there were no dedicated resources available to *manage the operations* of the Agreement. The management and support roles were shared between the ACTP committees. The Committees were resourced by staff from the various jurisdictions who had been allocated ACTP work as a part-time responsibility.

This led to ACTP competing for resources within each partner group (typically a province) to undertake the work, but within each partner group the priorities would clearly favour the partner's immediate requirements. Work on ACTP issues was thus frequently done "when there was time", or on individual officers' own time. Implementing an $18 million dollar initiative on a volunteer basis is not appropriate. The workload associated with the operations and implementation of such an Agreement is significant, and assistance with project implementation should be provided.

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| ***Recommendation 7*** | Establish performance measures and a regular management reporting system to demonstrate and track project implementation progress and results, and report regularly to partners and stakeholders. |

Given the use of an annual planning process, knowledge about which projects are expected to be underway at any given time, and identification of the indicators that will be collected to measure project success, it would be relatively straightforward to establish a transparent project reporting system for ongoing operations. Such a system would ensure that implementation issues are identified and acted upon in a timely manner.

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| ***Recommendation 8*** | Be specific in project design, and eliminate the practice of providing a "global" project authorization prior to detailed project design. |

In some cases under the ACAT, the Project Approval Form did not describe the project as it was actually implemented. It appears that the PAFs served as "global" project authorization forms for some projects, where an overall project with objectives was described, and subprojects were developed subsequently that fit within the project scope. We doubt this is the intent of the approval process.

In the context of the previously-described strategic and annual planning process, where projects would be specified generally in the strategic plan, and in more detail in each annual plan, the pre-approval practice observed under the ACAT might not be possible in any event.

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| ***Recommendation 9*** | Work toward consistent tourism statistics that are comparable within Atlantic Canada. |

The statistics available to measure the ACAT's effectiveness are inconsistent. While individual partner provinces employ good data collection instruments, they do not always measure similar things. There are differences in the kinds of tourist that different provinces count (overnight or same-day visitors). There are differences in the time periods over which provinces measure visitation and expenditure activity. Some provinces define market areas differently, and different provinces report visitation and expenditure information differently. Further, none of the provincially-reported statistics for visitation are similar to visitation statistics reported by Statistics Canada from the agency's International Travel Survey. Statistics Canada surveys use smaller sample sizes than the provinces would prefer; no doubt one reason for the discrepancies between ITS and provincial figures.

It is recognized that each province will continue to collect and report statistics its officials feel are appropriate. Nevertheless, it is difficult to see how the achievements of an agreement like the ACAT can be properly measured if the measurement units (visitation and expenditures) are not comparable between provinces and are significantly different from a recognized secondary source like Statistics Canada. Even setting expected results for specific projects (see *Recommendation 1*) requires a consistent measurement system.

An attempt should be made to rationalize the statistics, and efforts to harmonize ITS, CTS and provincial statistics should be continued.

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| ***Recommendation 10*** | Restrict the use of the Atlantic Canada brand to Europe and Japan. In all other markets the use of Atlantic Canada should be restricted to a geographic locator as opposed to a brand. |

Use of an Atlantic Canada brand in short-haul markets presents problems, including a possible dilution of brand equity (the Nova Scotia brand within the New England market, for example), and possible confusion of icons if the brand is used in describing the destination (where visitors might expect to see icebergs in the Bay of Fundy, for example). If the regional designation is used only as a locational device, however, and if the message contains little or no description of the tourism product, the benefit of using a regional identity and drawing visitors to the region can be obtained without dilution of brand equity, confusion in the market-place, or inappropriate use of provincial icons.

In long-haul markets like Europe and Japan a joint branding approach makes sense. Visitors from these markets frequently do not distinguish between the provinces (if they even know they exist), but may be interested in visiting the region and seeing as much of it as they can. One exception to its use in long-haul markets might relate to marketing Prince Edward Island in Japan, where the Province is a special market and may require its own marketing strategy.